

Any out there?

Michael Thompson

HAWK & HANDS

Business Summary

Poland plans big shift in economic emphasis

Transatlantic phone charges from Germany to be slashed

ANC ready to deal

Up to 6,000 held

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| Denmark     | 100.00 | 100.00 | 100.00 | 100.00 |
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| Italy       | 100.00 | 100.00 | 100.00 | 100.00 |
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# FINANCIAL TIMES

Monday February 17 1992

SOUTH AFRICA  
Ramaphosa - master of the compromise  
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World News

## Poland plans big shift in economic emphasis

Poland is to announce a shift in economic policy away from fighting inflation and towards easing the rigours of market oriented policies, which have led to rising unemployment and declining living standards.

The move is expected to gain conditional approval from the International Monetary Fund, which suspended disbursement of its \$2.5bn extended loan package last September when the budget deficit and other indicators overran agreed targets.

ANC ready to deal  
The African National Congress is willing to make concessions on power sharing in a post-apartheid South Africa which could lead to a deal on a new democratic constitution.

Experiments to continue  
Swiss voters decided in a referendum not to tighten already strict regulations on animal experiments. The drug industry and government had said the proposal would have cut life-saving research.

Up to 6,000 held  
Mohammed Bouhadi, head of a military-backed five-man presidency set up to rule Algeria, said there may be 6,000 to 8,000 Islamic Salvation Front supporters in detention camps.

Japan bans Jagger  
Rolling Stones lead vocalist Mick Jagger was barred entry to Japan because of a drug arrest in London 23 years ago. He is confined to a Tokyo hotel pending an appeal today.

Bus crash kills 14  
Fourteen people died and 42 were hurt when a bus hit a tree and broke in two near Belgrade, north-east of Cairo.

Demonstrators shot  
At least 13 people were killed when troops loyal to President Mobutu Sese Seko opened fire on pro-democracy demonstrators in Kinshasa, Zaire's capital.

Friendship move  
Bulgaria's president Zhelyu Zhelev, a former dissident, will visit France tomorrow to sign a friendship treaty.

Aid for civilians  
The United Somali Congress, one of the main factions fighting in the Somali capital of Mogadishu, has agreed to allow aid workers to distribute food to starving civilians.

Mexico to save forest  
Mexico is to enlarge the Montes Azules biological reserve in the Lacandonia tropical rain forest by 55,000 hectares.

Overworked Americans  
Americans increasingly find themselves overworked and underpaid as they struggle to maintain their living standards, according to a report by the Washington-based Economic Policy Institute.

Merit takes over  
British Rail is to abandon its system of promotion by length of service and from the end of next month its 30,000 staff will be promoted on merit.

Angela Carter dies  
Author Angela Carter died in London. Her first novel, Shadow Dance, was published in 1966 when she was 26. It was followed by several more and by short stories, radio plays, screenplays and non-fiction anthologies.

Law replaces vain pleas  
Beijing residents will be required by law to donate blood to ease the capital's shortage. Chinese have traditionally been reluctant to donate, believing that losing blood saps vitality.

## Political tensions heighten ahead of more Middle East peace talks

### Israel kills Hizbollah leader in air strike

By Hugh Carnegie in Jerusalem

SHEIKH Abbas Musawi, leader of Lebanon's Shia Muslim fundamentalist organisation, Hizbollah, was assassinated yesterday in a rocket attack by Israeli helicopters as he was travelling in a convoy of vehicles in southern Lebanon.



Abbas Musawi: key figure in negotiations last year for the release of western hostages

The Israeli army said the Hizbollah leader had been in the village of Jibehat meeting a number of Hizbollah officials responsible for organising attacks on Israeli forces.

## Bush promises upturn in US economy

By Lionel Barber in Manchester, New Hampshire

A CONFIDENT President George Bush yesterday launched a last-minute drive to win over uncommitted voters in tomorrow's primary election in New Hampshire as his campaign chairman predicted a comfortable victory over Mr Patrick Buchanan, his right-wing Republican opponent.

"Housing and real estate are going to lead the recovery," he told a breakfast audience yesterday.

## Opec agrees oil output cut in move to shore up prices

By Deborah Hargreaves in Geneva

MINISTERS from the Organisation of Petroleum Exporting Countries (Opec) agreed late last night to cut their production by just over 1m barrels a day in a desperate attempt to shore up oil prices.

market that producers were willing to cut production. Oil prices since last November have declined by more than \$4 a barrel, putting a squeeze on Opec members' revenues.

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Portables Computers  
New pen-based computer systems generate excitement because they allow a wide range of users to exploit computer technology. These systems could herald the next revolution in computing: see today's survey.

FT SURVEYS THIS WEEK  
TODAY: Philippines: belated reforms aim to counter economic drift. See separate section.  
PORTABLE COMPUTERS: how technology is changing attitudes towards computing. See separate section.  
TOMORROW: Tyne and Wear: a resilient response to the recession.  
WEDNESDAY: FT Traveller, Hong Kong: our guide for the business visitor.  
THURSDAY: Corporate Contract Services: cost savings spur use of outside agencies.  
VOLUME MANAGEMENT: coping with a stretched car and truck replacement cycle.

## Bayer to use protein produced by sheep

By Daniel Green in London

BAYER, the German chemicals giant, has signed a multi-million pound deal to use a valuable substance produced by a genetically engineered Scottish super-sheep called Tracy.

The deal could mark the first step in the commercial use of flocks of genetically engineered animals as biological factories.

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## INTERNATIONAL NEWS

## Industrialists criticise reform

## Bonn pledges further cuts in corporate tax

By Quentin Peel in Bonn

GERMAN industrialists have been promised a second round of corporate tax cuts before the end of the year, after criticism last week's government tax reforms as inadequate to improve competitiveness.

At the same time they stepped up at the weekend their campaign calling for further substantial tax cuts, and warning of the dangers of big increases in the current round of wage negotiations.

Both the federation of German industry (BDI) and Mr Jürgen Möllemann, economics minister, agreed in separate statements that top marginal rates of both corporate and income tax should be cut to 46 per cent, from 50 and 53 per cent respectively.

However, while Mr Möllemann promised a second round of tax reforms this year, the industrialists voiced doubts that it would be possible, given the strain on the state budget.

The BDI issued a sharp critique of the tax package approved on Friday in the Bundestag, the upper house of the German parliament, in spite of government jubilation at having split the Social Democrat opposition when forcing the bill through a months-long negotiating procedure.

By offering German states, especially the five in former East Germany, a significant transfer of tax revenues, including the entire benefit of an increase in value added tax from 14 to 15 per cent next year, the central government had left itself no further room for tax reform manoeuvre.

The package - which would originally have given the business sector overall cuts of about DM7.4bn (£2.57bn) through increased thresholds for business property tax and tax on trade earnings, and the abolition of trading capital tax - was scaled down to a net gain of only DM4.4bn in negotiations. The trading capital tax will now be retained.

The BDI said in a statement that industry feared the "exceedingly" generous financial offer to the federal states "limits the negotiating capacity of the state excessively, and leaves no room for necessary

Mr Helmut Schlesinger, Bundesbank president, sees no compelling motivations for the government to either raise or lower German interest rates, according to an interview published in Der Spiegel, AFDJ reports from Frankfurt.

He also admits in the German magazine article that the Bundesbank's middle range goal of a 2 per cent inflation rate will not be reached this year.

However it was possible that the rate this year could show a "3 before the decimal point" if certain conditions were met.

steps to reform".

Mr Heinrich Welas, president of the BDI, said in an interview at the weekend that Germany was losing 100,000 jobs a year because German companies were investing overseas as a result of high wages and taxes.

Mr Klaus Mürmann, president of the German employers' association, the BDA, said there would be a further export of jobs if there was not a radical change in wages policy.

However, Mrs Monika Wulf-Mathies, leader of the public service trade union, OTV, said last week's tax package, including the VAT increase, gave the union "no reason to show restraint". Her union's annual wage negotiations with the government have just begun.

The Social Democrats (SPD) have been left in disarray as a result of the tax deal, having sought to block it entirely in the Bundestag.

As a result, the city government of Berlin, ruled by a grand coalition of SPD and Chancellor Helmut Kohl's Christian Democrats (CDU), is in danger of collapse.

Mr Eberhard Diepgen, the CDU mayor, threw his weight behind the tax package on Friday, to the dismay of his SPD colleagues.

Mr Björn Engholm, SPD national chairman, is attempting to save some face for his party by appealing today for national negotiations on the state of the economy.

## Vukovar adapts to post-war 'normality'

Neither Serbs nor Croats are yet committed to the city's renewal, writes Laura Silber

LIFE in Vukovar, scene of the worst fighting during the seven-month war in the breakaway republic of Croatia, is returning to normal. That is according to Serbia's state-run media.

In the streets, the picture is different. The federal army has cleared the corpses from the streets. It has bulldozed away the rubble left by the war. But the charred skeletons of buildings bear testimony to last year's three-month-long battle for control of Vukovar between Serb irregulars backed by the Yugoslav army and the Croat national guard.

Slobodan Milosevic, has promised to help rebuild this city. Serbian news reports boast of progress in the renovation of Vukovar, currently under federal army control. But neither Serbia nor Croatia will commit themselves to rebuilding Vukovar, set on the banks of the River Danube in the contested fertile plains of eastern Croatia, until the question of borders is settled.

Not a single structure in the city centre escaped damage. The trees are blackened by battle. The altar of the Catholic church stands at a bizarre angle. The rest of the building has crumbled under grenades.

An army officer married a local Vukovar bride at the weekend in the Serbian Ortho-

dox church. The priest says a bomb planted in the church last November tore away the roof and destroyed all but one of the 250-year-old frescoes.

"I have lost everything. All I own are the clothes on my back," says Mr Jovan Njegic, weeping in the church. Mr Njegic, a 63-year old retired accountant who is a Serb, says: "Before the troubles started, we never asked about people's nationality. Now there there is no one left to ask."

His wife, a Croat, died to Croatia last autumn. Two of his three children, who married Croats, have abandoned the town fearing reprisals by Serb fighters who seized control of the local government.

One of Mr Njegic's sons, an architect, remained to help in the rebuilding of Vukovar. But the buildings which can be restored, even if funds were available, are a tiny minority.

The people who have remained in Vukovar have nowhere else to go. Mr Zeljko Vucetic, a former factory worker now a policeman, is clearing out refuse, the destroyed belongings of the former tenant. Mr Vucetic, a Serb,



says the local government gave him permission to restore the flat for his aunt. The fate of Mr Andrija Sabosic, a Croat who used to occupy the flat is unknown. "He is either dead or in prison. He was Ustashe," says Mr Vucetic, referring to the brutal Croat fascist regime during the Second World War.

From his swaying balcony the once-pretty view is one of ruin. Next door, Mrs Marija Lukic, a 51-year-old Croat factory worker, says: "During the fighting I hid in my fourth-floor flat with my Serbian neighbours. I told my chil-

dren to leave, that my fate was to protect the little we had."

Mrs Lukic, who was seriously wounded when mortars shattered the walls of her flat, just one week before Vukovar fell to the army on November 18, is uncertain about her future. The fighting destroyed the Sovovo rubber factory where she was employed. She receives no benefits from Croatia or Serbia. She and the few thousand people who have returned to Vukovar survive on handouts from the army.

They take their meals at the local barracks, which despite claims of a Croat siege were barely damaged during the fighting. Army checkpoints at every village leading to Vukovar require inhabitants to show a special pass. Many of Vukovar's inhabitants appear to welcome the arrival of the UN peacekeepers who will replace the army. But they are clearly unaware of the terms of the UN plan. Uncertain about a life under UN protection, they say the peacekeepers should not be stationed in Vukovar.

But most people do not leave Vukovar. Mr Njegic says he has no money to travel anywhere. Waiting for help, he will remain amid the ghosts of a once harmonious population. He says: "No one will give any real aid until they decide who Vukovar belongs to."

## Swiss reject tighter code on animal protection

SWISS voters yesterday rejected a proposal that would have tightened further already stiff regulations on animal experiments. Renter reports from Zurich.

Officials in Bern said a majority of Switzerland's cantons (regions) had voted against the proposal, which had sparked one of the country's most emotive referendum campaigns.

To succeed, the proposal needed the backing of at least half of Switzerland's 26 cantons, regardless of the popular vote.

The drugs industry and government had said the proposal would cut life-saving research and jobs.

Interpharma, an organisation representing Switzerland's world-leading pharmaceutical and chemical industry, said the result was a "clear indication of the commitment of the Swiss people to continue as a leading country in medical and biomedical research".

A spokesman for the Swiss Animal Protection League, which launched the referendum, expressed disappointment over the result but said the League would go on looking for ways to improve animal protection.

## Russian oil workers lower production

By Leyla Boulton in Moscow

STRIKING oil workers in Russia's northern region of Komi have halved one-tenth of their oil production to press demands for the freeing of energy prices, special tax benefits, and improved supplies of industrial equipment, food and consumer goods.

Itar-Tass news agency said workers in the Komi autonomous republic, who began warning stoppages at 90 oil wells at the weekend, had decided to abstain from further action elsewhere until today, pending talks with the government in Moscow. The shortfall amounts to more than 3,500 tonnes a day.

Oil workers in both Komi and Tyumen, by far Russia's

largest oil producing region, have been threatening strike action for weeks. They say the government has failed to honour a promise by President Boris Yeltsin to let them sell one-tenth of the oil produced for their own benefit. The government has been working on a deal to raise workers' pay and eventually to free the domestic price of oil, currently fixed at Rb350 a tonne for deliveries to the state.

Total Russian oil output last year is estimated at 461m tonnes, 11 per cent down from 1990.

Cuba has begun deliveries of raw sugar to Russia in exchange for badly-needed crude oil, Radio Moscow said yesterday.

The report said Cuba would deliver 500,000 tonnes of sugar, paid for with 900,000 tonnes of crude oil, by the end of April.

The Russian government said last month it planned to sell 1.5m tonnes of oil, 400,000 tonnes of diesel and 300,000 tonnes of mazut fuel in January and February to pay for 2m tonnes of raw sugar.

Interfax news agency said the deal was offered first to Cuba, with the commodities offered on world markets if no agreement was reached.

The barter arrangement was based on world prices.

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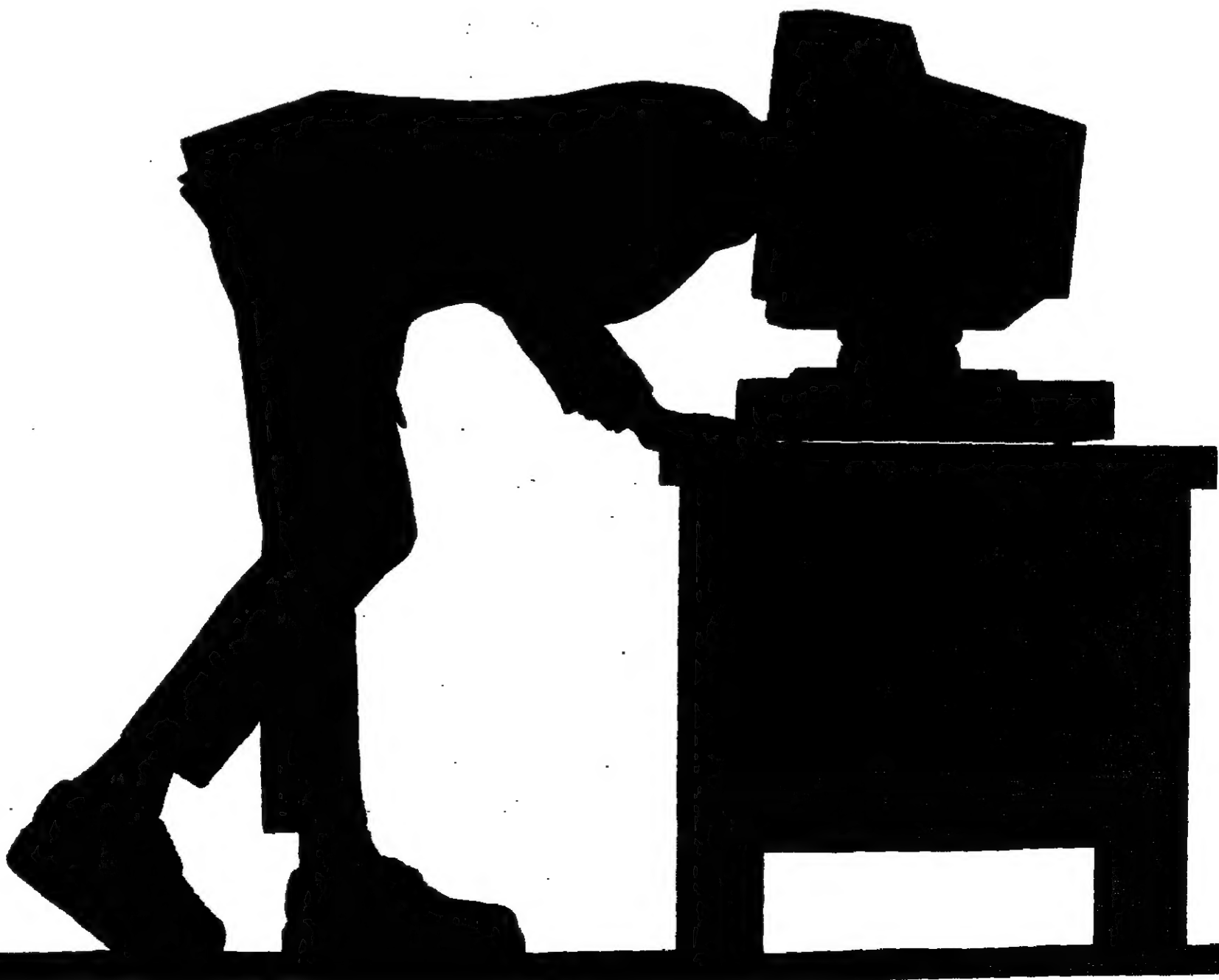
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# Algeria presses Gulf states for aid

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IRAN yesterday inaugurated its first, Pakistan's second, Soviet Modern first step towards economic and political south-west reports from Tehran President Ali Akbar Rafsanjani before opening the summit it was the emerging trend across Soviet centres to the three first of the Economic Organisation of the States (Eurasian). The ECO hopes of Azerbaijan, Tajikistan, Turkmenistan and Uzbekistan, with into a group that enthusiastically about 25 years ago. Ankara and Islamabad.

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## INTERNATIONAL NEWS

## Algeria presses Gulf states for aid

By Tony Walker in Algiers

ALGERIA is pressing Gulf states and potential aid donors for up to \$2bn (£1.1bn) in emergency assistance to combat severe economic difficulties, which it blames for recent Islamic fundamentalist-inspired unrest.

Mr Lakdar Brahimi, Algeria's foreign minister, visited Saudi Arabia at the weekend at the start of a Gulf tour apparently aimed at securing Arab financial support.

According to Algerian officials, Mr Brahimi is taking a similar message to that put in Lisbon, last week, to his Portuguese counterpart, Mr João de Deus Pinheiro.

"We need assistance right now," said one official. "If, tomorrow, there is civil war, the instability will be felt everywhere, including Europe and the Arab world."

A state of emergency was declared in Algeria about a week ago after days of rioting and left at least 50 people dead and hundreds wounded. The disturbances followed the cancellation of a second round of voting in national elections in which the Islamic Salvation Front (ISF) was certain to consolidate a landslide victory.

Algeria's plea for additional help coincides with delicate negotiations with its main creditor banks for the "re-profiling" of about \$1.5bn in short-term commercial debt.

Algerian central bank officials insist they are not seeking rescheduling, but are asking instead for an extension of the debt's maturities to an average of about eight years. About 85 per cent of the debt is owed to Japanese and French banks.

Attempts by a core group of creditor banks, led by Credit Lyonnais to reach agreement on a "re-profiling" package are being held up because of objections by Bankers Trust of the US whose limited exposure in Algeria amounts to about US\$20m.

It is estimated that such an arrangement would release about \$800m to help fund imports of raw materials, spare parts and equipment to spur Algeria's recovery.

The government is finalising an emergency economic programme aimed at solving Algeria's chronic housing problem and at providing jobs for an army of unemployed young people.

Algeria, whose external debt totals about \$27bn has been squeezed since the mid-1980s by the collapse in oil prices.

Its economy - oil and gas account for 97 per cent of export earnings - has registered negative growth in recent years, and its difficulties in meeting its debt commitments have added to its economic woes.

Mr Mohammed Boudiaf, head of a military-backed five-man presidency set up to rule Algeria, told the foreign press yesterday there "may be 5,000 to 6,000" FIS supporters in detention camps.

It was the first official acknowledgement that such a large number of suspected FIS activists had been rounded up. Previously, government officials had spoken of hundreds.

The authorities are known to have established several detention centres outside Algiers to accommodate people arrested under the state of emergency declared more than a week ago.

## South Africa's master of the strategic compromise

Cyril Ramaphosa, ANC secretary-general, is instrumental in shaping a post-apartheid society, writes Patti Waldmeir

THE African National Congress is willing to make major concessions on the issue of multi-racial power sharing in a post-apartheid South Africa, which could form the basis of an eventual deal on a new democratic constitution.

Mr Cyril Ramaphosa, ANC secretary-general, said in an interview that a post-apartheid ANC government would rule in coalition with the mainly white National Party, the current ruling party, even if the ANC won a large majority of votes.

The 38-year-old Mr Ramaphosa is the most important black leader in South Africa apart from ANC President Nelson Mandela. When it comes to ANC policy, his influence not only rivals, but possibly exceeds, that of the septuagenarian Mr Mandela.

It might be argued that South Africans would not now be pushing forward to all-party interim government if it were not for Mr Ramaphosa. When he took over as secretary-general last July, the ANC and Pretoria were locked in a fruitless dispute over violence.

He insisted that talks on a new constitution begin immediately, dropping the pre-condition (imposed by Mr Mandela, among others) that certain obstacles first be removed. A man of easy charm and humour, he quickly won the trust of his interlocutors.

As a former trade unionist, he is a master of the strategic compromise. True to form, he used an interview with the Financial Times to offer significant concessions to the ruling National Party.

On a coalition with the National

party, he concedes: "We would agree, soon after a new constitution is adopted, you may well need to bring in people from other parties into government." He speaks in the soft and deliberate voice, devoid of arrogance, which makes him such a favourite among senior Nationalists.

He cites the example of Zimbabwe, where white ministers held key portfolios in the first post-independence government.

Coalition government is the National Party's bottom line, and he knows it. But the Nationalists are demanding much more than Mr Ramaphosa is willing to give: they want rule by coalition entrenched in the constitution; the ANC leader insists it should be voluntary.

"We would be quite vehemently opposed to a situation where we would be forced to get into a coalition government with any party, our view is that forced marriages don't work." He believes that coalitions will arise naturally out of South Africa's political and ethnic diversity.

The Nationalists want more security than that, to prevent domination by the black population: South Africa, including the nominally independent "homelands", has 28m blacks and only 5m whites.

Mr Ramaphosa has an offer to make in this regard as well: "You need a constitution which has sufficient checks and balances to prevent one dominant party exercising power all on its own." But checks and balances are not all he is offering: "you could have a system where

you share power by saying that on certain clauses of the constitution - amending the constitution or taking particular decisions - you would require...a majority which would need the agreement of other parties in parliament."

That could well be a permanent feature in a constitution - the type of feature that could give comfort to those parties that feel they could be marginalised by a majority party.

That would depend, of course, on the areas subject to joint decision-making. Here Mr Ramaphosa is surprisingly flexible: he suggests that the budget might be one such area.

On the issue of devolution of power to the regions - one of the main planks in Nationalist strategy - Mr Ramaphosa is conciliatory; as a liberation movement, the ANC clings to the vision of a popular grassroots democracy requiring maximum devolution. But he knows that the Nationalists want devolution so that they can weaken a central government dominated by the ANC, and to enable them to retain what he calls "pockets of apartheid" - white neighbourhoods where local regulations effectively keep out blacks. That would be "completely out of the question," he says.

For the moment, forming an interim government is the priority. The ANC proposes a council of state to make policy, while ministers continue to run their departments: Pretoria could probably agree to this. But Mr Ramaphosa says an interim

parliament/constituent assembly would have to be unicameral, with no special weighting for minorities; the government wants a bicameral body, with an upper house where minorities have veto power.

That could well be the crunch point," says Mr Ramaphosa. "We can only think of one method of election, that is one person one vote on a common voters roll based on proportional representation."

On economic policy, there is likely to be even less common ground between Pretoria and the ANC - despite recent reassurances from Mr Mandela that the ANC has outgrown nationalisation. The ANC president may have realised the dangers of preaching nationalisation - foreign investors on his recent overseas trip clearly shocked him with the vehemence of their opposition - but other ANC leaders have learned no such lesson.

Mr Ramaphosa could well prove Mr Mandela's sternest opponent on the issue when the ANC meets for an economic conference in April. He refuses to comment on economic questions - mindful, no doubt, that contradictory statements on debt repayments (from him and Mr Mandela) have hurt the ANC's image. But he is understood to describe himself privately as a socialist.

However, Mr Ramaphosa is not without humour on the matter. He drew attention to a framed cartoon on his office wall: it shows him flogging a dead horse labelled "investment" and shouting "That'll teach you! Now get up!"



Ramaphosa: willing to make major concessions on power sharing

## Omani bank takes over local BCCI operations

OMAN announced yesterday that a domestic bank has taken over the local operations of the collapsed Bank of Credit and Commerce International (BCCI), allowing all BCCI depositors in the Sultanate to be repaid in full, AP-DJ reports from Muscat.

The central bank of Oman said BCCI's local assets and liabilities had been transferred to Bank Dhofar al-Omani al-Farid.

"By this action the Sultanate of Oman becomes one of the first countries in the world where [BCCI] depositors and creditors will receive their funds without any deductions, notwithstanding the deficit in the balance sheet which resulted from mismanagement abroad," the central bank said in a statement.

Banking sources said Oman will inject OMR10m (£16.5m) into the merged institution to cover the shortfall.

Oman shut down BCCI's local branches on July 5, soon after the Bank of England and other regulators seized the bank amid allegations of widespread fraud.

The Abu Dhabi government owns a majority stake in BCCI and is currently involved in negotiations to liquidate the bank and provide partial compensation for depositors.

BCCI Oman had a loan book totalling OMR44m and deposits of OMR57m, which will all now be assumed by Bank Dhofar, according to the bank's general manager, Mr Noreddin Nabawi.

He said Bank Dhofar had boosted its paid-up capital by OMR10m to OMR15m ahead of the merger.

## Iran looks to Islamic alliance in west Asia

IRAN yesterday said the inaugural summit with Turkey, Pakistan and former Soviet Muslim states was a first step towards an Islamic economic and political alliance in south-west Asia, Renter reports from Tehran.

President Ali Akbar Hashemi Rafsanjani said shortly before opening the two-day summit it was "natural" for the emerging republics of former Soviet central Asia to turn to the three founder-members of the Economic Co-operation Organisation (ECO).

The ECO hopes the inclusion of Azerbaijan, Turkmenistan and Uzbekistan, and possibly Tajikistan, will inject new life into a group that has existed unobtrusively since its creation 27 years ago by Tehran, Ankara and Islamabad.

The leaders of the traditionally Muslim former Soviet states of Turkmenistan, Azerbaijan, Kirgizia and Kazakhstan are attending the meeting.

Apart from taking in new members, the meeting is likely to approve a 10 per cent lowering of tariff barriers between Turkey, Iran and Pakistan and to discuss steps towards freer trade and movement of people.

The meeting will also offer an opportunity to discuss regional disputes such as the civil war in Afghanistan and the conflict between Armenia and Azerbaijan over Nagorno-Karabakh.

Iran, Pakistan and Turkey all say they support United Nations peace efforts for Afghanistan, seen as another potential ECO member.



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| DIVIDEND ANNOUNCEMENT   |  |
| EUROPE ASIA DYNAMIC FUND will pay out a dividend of USD 0.18 per share on February 25th, 1992.            |  |
| Shares are entitled to dividend as from February 19th, 1992.  |  |
| The dividend is payable to holders of bearer shares against presentation of coupon no 2 to the following: |  |
| BANQUE INTERNATIONALE A LUXEMBOURG<br>2, Boulevard Royal, 2053 Luxembourg<br>GRAND DUCHY OF LUXEMBOURG    |  |
| THE BOARD OF DIRECTORS<br>of<br>EUROPE ASIA DYNAMIC FUND MANAGEMENT S.A.<br>Société Anonyme               |  |



## INTERNATIONAL NEWS

## Dual-use goods expose EC export control disparities

By Andrew Hill in Brussels



## THE EUROPEAN MARKET

THE success of the single European market depends partly on how far governments are prepared to trust their Community neighbours: and nowhere will this be more important than on issues of external trade.

Concern over the quality of countries' export control systems is being brought into focus by the European Commission's plans to tear down internal barriers to the export of so-called "dual-use" goods and technologies, which can be used for civilian or strategic purposes.

The Treaty of Rome allows member states to maintain as many restrictions on the trade in weapons as they think necessary. But until now national controls have also been applied to dual-use goods and technologies, even if they are only being traded between EC member states.

Accepted international definitions of such products - which are not covered by the arms-trade treaty clause - have embraced items as diverse as personal computers, machine tools and airliners.

Movement of dual-use products within the Community may account for between 5 and 8 per cent of intra-EC trade, but neither the Commission nor industry has reliable figures. Both appreciate, however, that the administrative burden alone is

hampering free trade, not only between genuine buyers and sellers within the Community, but between project partners which have to "export" and "import" dual-use components across EC borders.

Mr Hanna Glatz, Daimler-Benz's representative in Brussels, says: "In the internal market, it will be increasingly difficult to stay national in the development and production of dual-use technologies: you'll have to enter co-operation deals and alliances across Community borders."

"As long as one of those countries is in a different export control system from another, the one subject to the tougher rules will be excluded as a partner."

Progress towards a European Commission initiative on dual-use export controls has been slow.

In 1988 the Brussels official collecting data on existing national systems was thrown out of one foreign ministry on the grounds that it was none of his business. Earlier this month, however, EC foreign ministers agreed that expert discussions should begin on the abolition of internal barriers and harmonisation of dual-use export controls, on the basis of a Commission discussion paper which identifies a number of "key elements" for any legislation:

- A common list of dual-use goods and technologies subject to controls.
- A common list of banned or restricted destinations for such exports.

- Common criteria for issuing licences from the EC.
- A forum for co-ordinating licensing and enforcement.
- Administrative co-operation between customs and licensing offices throughout the EC.

Pushing ahead, European companies would like to extend any free market in dual-use goods and technologies to Scandinavia and other members of the European Free Trade Association (EFTA). The Commission is restricting itself to solving the problems caused by EC controls for the time being, but there is a strong international dimension to its plans.

A common EC list of products would probably encompass those drawn up under existing international agreements. EC policy on exports beyond Community borders would also correspond with US thinking on export controls, which has gradually shifted from preoccupation with west-east controls to more complex concerns about restricting global proliferation of dual-use technology.

But although much of the hard work has been done in other forums, the practical difficulties which remain are enormous. The transparency of national policies - whether lists are published, for example, or even available - varies from country to country, as do the penalties for infringing the rules. Some member states levy fines of £200,000 (£11,400); some have no limit or recommend imprisoning offenders for up to seven years.



On the move: shipments of dual-use products within the Community may account for between 5 and 8 per cent of intra-EC trade

At the moment the Commission is maintaining its light touch in this sensitive area, allowing member states to debate the main political issues between themselves.

This is the strategy of informal consultation described by national officials as "a model of how to develop Community policy", but characterised slightly differently by one Brussels official: "The member states are making an effort to reach agreement between themselves, partly because they want to keep the Commission out."

The Commission may decide to step in if such discussion results in the harmonised and simplified licences for intra-EC trade suggested by some member states. Brussels fears such a move would restrict access to the internal market and actually increase

the administrative burden on EC companies.

The Commission's timetable - legislation by early autumn, implementation by the end of the year - is ambitious, possibly too ambitious according to some northern member states which doubt whether their EC partners will manage to bring their export control systems up to scratch in 11 months.

Even the Commission concedes in its paper that some member states "have less sophisticated control systems and little practical experience, up to the present, in operating controls".

If that situation does not change quickly, EC members will be reluctant to take their neighbours' efficiency on trust alone when barriers come down on January 1 1993.

## China and Taiwan membership drive tests Gatt loyalties

By Frances Williams in Geneva

A GAME of Chinese chequers is being played out at the General Agreement on Tariffs and Trade (Gatt) over the membership of China and Taiwan.

Negotiations on China's 1989 request to rejoin the 103-member world trade body, stalled for more than two years, finally started to move again last week when a Gatt working party began discussing a draft protocol of accession. The talks were suspended in mid-1989 after Beijing's suppression of the pro-democracy movement and a slowdown in economic reform.

The US and EC want further clarification of China's present and future trade regime before they are prepared to begin drafting membership terms - China is to answer written questions within the next few weeks. But Beijing's renewed push for Gatt entry has been supported by developing countries such as India and Mexico.

Trade officials in Geneva see a link between these developments and Taiwan's membership bid.

Taiwan applied to join in January 1990 as a "separate customs territory" - the same formula used for Hong Kong and Macao, which are already Gatt members.

Beijing has dropped its outright opposition to Taiwanese

membership but insists the island cannot join before China does. Washington, which is lobbying for Taipei's Gatt application to be admitted, says there can be no link between the two sets of negotiations.

Taiwan's candidacy is supported by Gatt's industrialised members. But developing nations have been reluctant to give their backing without Beijing's sanction.

The most likely outcome of behind-the-scenes discussions now under way in Gatt is an understanding with Beijing that, while there can be no formal linkage, negotiations on Chinese membership will be intensified. If all goes according to plan, Gatt's governing council will decide next month to establish a working party on Taiwan's membership application.

Since Taiwan is a market economy that has already taken steps to liberalise trade, drafting its accession protocol could in theory be completed within a year. This scarcely looks feasible for China, which will need special rules written into its terms of entry to take account of its planned economy.

The next meeting of the China working party is likely to be held this spring.

## Brittan to step up calls for Japanese market access

SIR LEON Brittan, the EC competition and financial services commissioner, will today renew pressure on Japan to provide genuine equal access to its markets for EC financial institutions, when he addresses the Japanese Financial Services Institute in Tokyo, writes Andrew Hill in Brussels.

During his two-day visit to Japan Sir Leon is also expected to criticise the international drift towards bilateral trade agreements, such as that between Tokyo and the US.

Since Sir Leon's last visit to Japan a year ago, the Community has issued a joint declaration

with Japan which called for "equitable access" to both markets and set up a framework for regular high-level political contacts.

The EC and Japan also reached agreement on plans to open the Community market fully to Japanese car imports by 1998.

Sir Leon is expected to praise progress made by Tokyo in removing obstacles to foreign companies and enforcing competition powers. But in meetings with politicians and business leaders he will stress the need for Japan to continue the process.

## CONTRACTS &amp; TENDERS

MANCHESTER AIRPORT  
TERMINAL TWO  
FINANCIAL SERVICES CONCESSION  
INVITATION TO TENDER

Manchester Airport Plc, Europe's fastest growing major Airport invites interested parties to apply for the tender documents for the operation of Bureau de Change and Banking facilities in Terminal 2.

Terminal 2, currently under construction, is programmed to open in two phases. Phase 1 in March 1993 will increase Airport capacity by 6 million passengers per annum and Phase 2 in 1994/95 adds a further 6 million passengers per annum, taking total Airport capacity to 24 million passengers per annum.

Proposals are invited for the provision and operation of three Bureau de Change, Banking Facilities and ATM's in the following locations:-

- Public Concourses - Landside
- International Departure Lounge - Airside
- Arrivals Hall - Landside

Companies wishing to be considered for inclusion on the select list should apply in detailed providing the following information:-

- (1) Copies of the last two years audited accounts.
- (2) Company brochure or profile
- (3) Names and addresses of two referees
- (4) Bankers names and addresses.

Applications should be made to the Administration Manager, Manchester Airport Plc, Manchester, M22 5PA, England, and must be received no later than Friday 6th March 1992. Please quote Reference Number P19.

## LEGAL NOTICES

**Receivables Liquidation plc**  
Company no 1077986  
Nature of business: Investment Company  
Trade classification: 27

**Quintus Properties Limited**  
Company no 149889  
Nature of business: Property Investment  
Company  
Trade classification: 29

**Light 'N' Heavy (Consumer Products) Limited**  
Company no 107888  
Nature of business: Supply and Distribution  
Trade classification: 28

Date of appointment of joint administrative receivers: 11 February 1992 (for all above companies)

Name of person appointing the joint administrative receivers: National Westminster Bank plc, in accordance with the provisions of two debentures dated 18 July 1991, and one debenture dated 18 December 1989 respectively

C of Higgins and T R Harris  
Joint Administrative Receivers  
(Office holder nos 141 and 2129) of  
Cock Quay  
Bridley House  
3 Hulse Street  
London EC2V 7JQ

**NOTICE OF ADMINISTRATOR'S OFFICE**  
THE RECEIVERS ACT 1986  
IN THE MATTER OF  
RECEIVABLES LIQUIDATION  
MANAGEMENT LIMITED

Nature of Business:  
Vehicle Management &  
Finance Management

Administrative office: 10th February 1992

Joint Administrators:  
Peter S Dunn, FCA  
Lillian Connolly & Davis  
40 Conduit Street  
London W1R 6PS

**ART GALLERIES**  
MANCHESTER: 6 Albert Square, London W1, CHRISTOPHER SHAWMAN 29 January 1992

29 February 1992, 10am-4pm 10-430 Sat 10-12.30, Tel: 01-493 9761

**REPUTERS CLUB LIMITED**  
(IN ADMINISTRATIVE RECEIVERSHIP)

We, David Wood and Peter Dunn of Latham

Crosby & Davis, Arbitrators, Receivers, Insolvency Practitioners, 100 City Road, London EC1Y 1AG, hereby give notice that on the 6th day of February 1992, we were appointed Joint Administrative

Receivers of the above-named company by Samuel Webster & Wilson Limited, under the terms of a debenture dated 6th July 1989, giving the holders a fixed and floating charge over the whole of the assets of the company.

The company trades as Club proprietors. Dated the 6th day of February 1992

David A T Wood and Peter S Dunn  
Joint Administrative Receivers  
(Office holder nos: 000882 and 000883)

**PALLADIUM LEISURE LIMITED**  
(IN ADMINISTRATIVE RECEIVERSHIP)

We, David Wood and Peter Dunn of Latham

Crosby & Davis, Arbitrators, Receivers, Insolvency Practitioners, 100 City Road, London EC1Y 1AG, hereby give notice that on the 6th day of February 1992, we were appointed Joint Administrative

Receivers of the above-named company by Samuel Webster & Wilson Limited, under the terms of a debenture dated 6th July 1989, giving the holders a fixed and floating charge over the whole of the assets of the company.

The company trades as Club proprietors. Dated the 6th day of February 1992

David A T Wood and Peter S Dunn  
Joint Administrative Receivers  
(Office holder nos: 000882 and 000883)

**RULE 2.5 NOTICE OF APPOINTMENT OF ALFRED ELECTRONICS SERVICES LIMITED**  
Registered No 149006

Joint Administrators: 27  
Name and Address of Joint Administrators: 27  
Latham  
100 City Road  
London EC1Y 1AG

Date of Appointment: 10th February 1992  
By whom Appointed: National Westminster Bank Plc  
Name and Address of Charge Mortgagee: 10th February 1992, 10am-4pm 10-430 Sat 10-12.30, Tel: 01-493 9761

Hitachi looks  
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The nature of vision inspires a new view of intelligent video technology.

Thanks to research into artificial intelligence, the Hitachi VM-E25E may be the world's smartest camcorder. It shows an "AI" for colour and shading, zoom power to magnify images up to 64 times, and a Digital Signal Processor (DSP) to function as a brain for processing images with superior precision. Add a twist-and-shoot design along with intelligently-organized controls and it makes great videos easier than ever before.



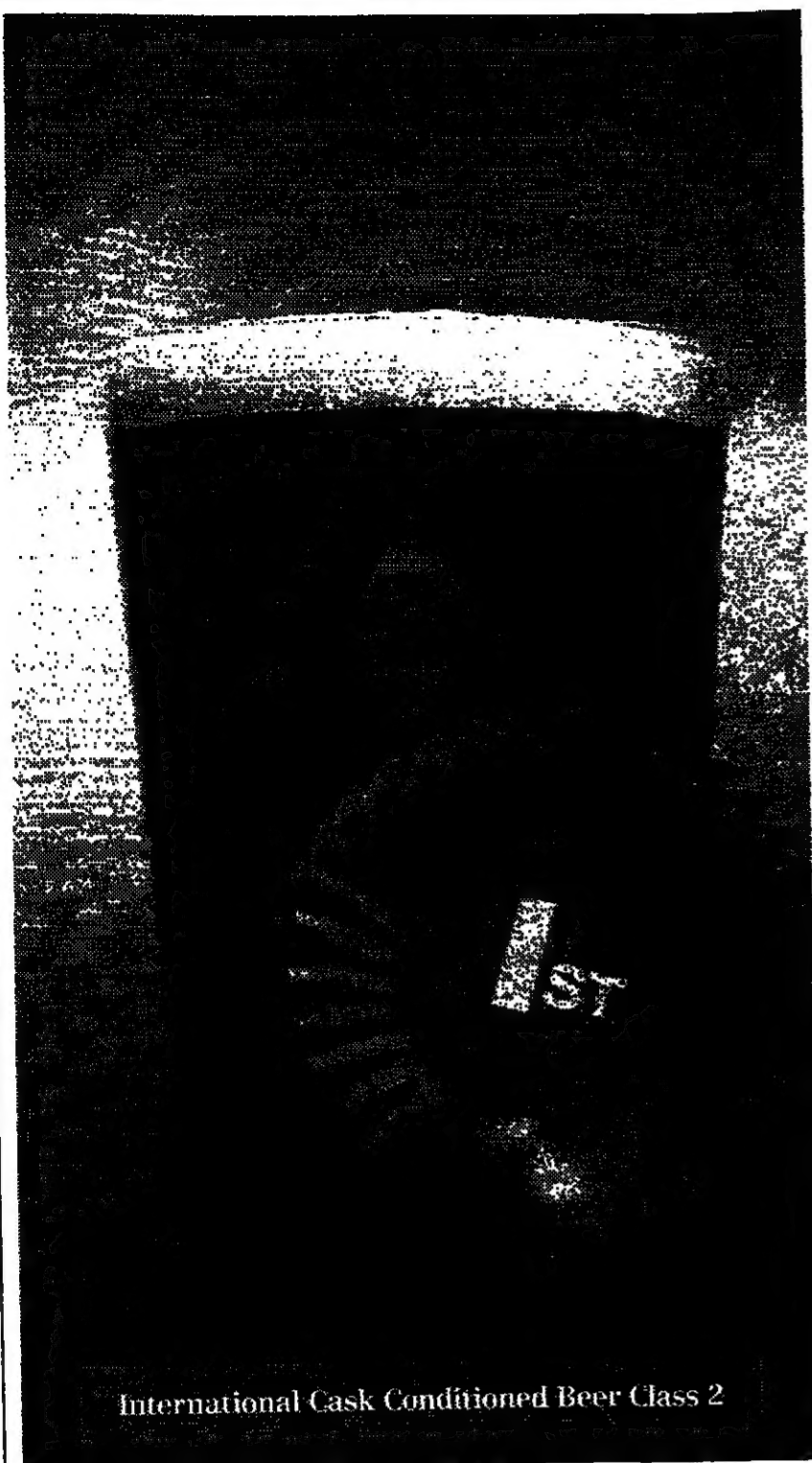
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That's the kind of imaginative thinking you expect from Hitachi. Our research team explores the ability of AI technology to transform consumer electronics, industrial equipment, medical and scientific devices, and information processing. Designing innovations of vision.

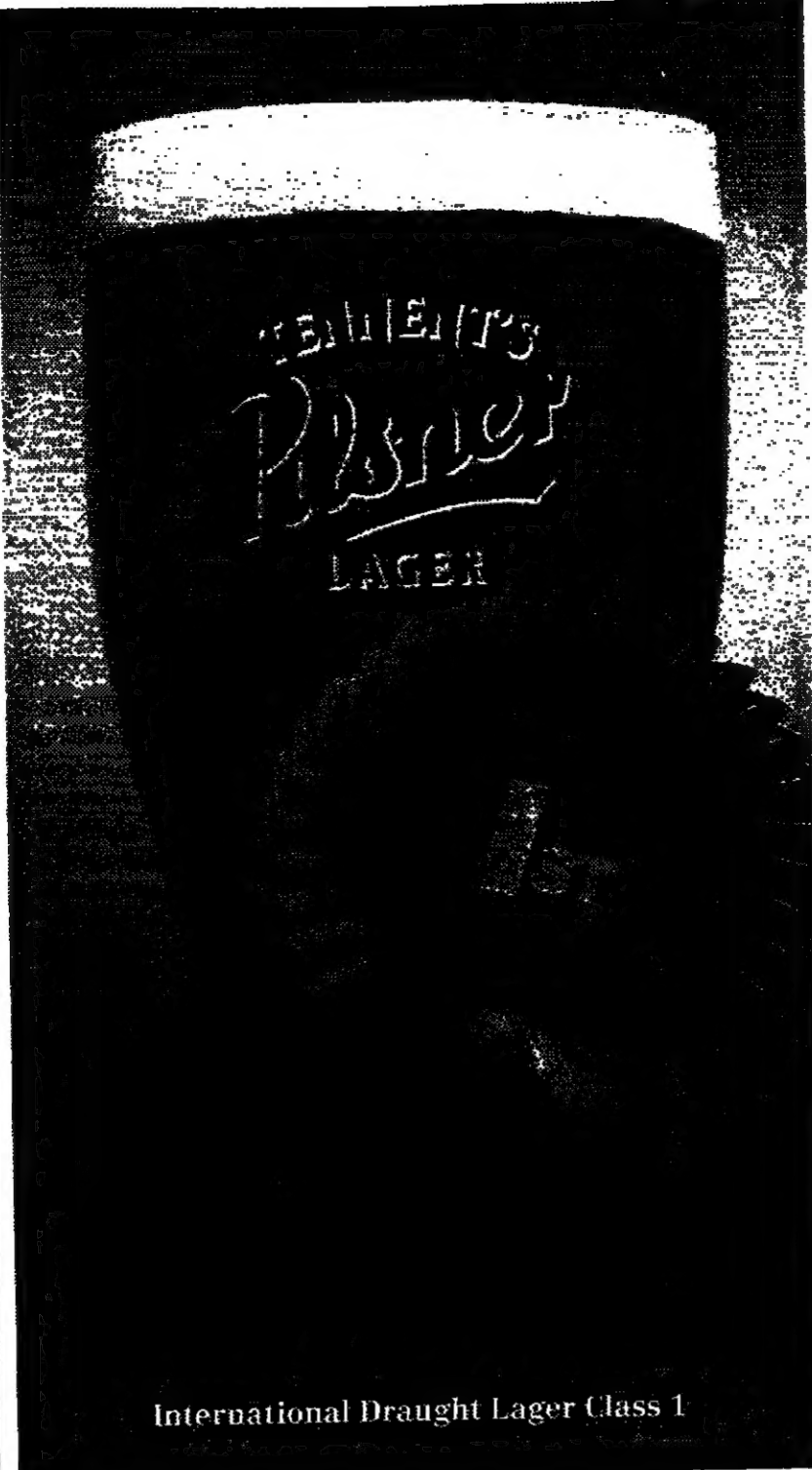
At Hitachi, we make technology in the human interest to help you see the world through new eyes.

Beauty is in the eye of the beholder. Now, the artificial intelligence (AI) of Hitachi VM-E25E expands natural powers of perception.

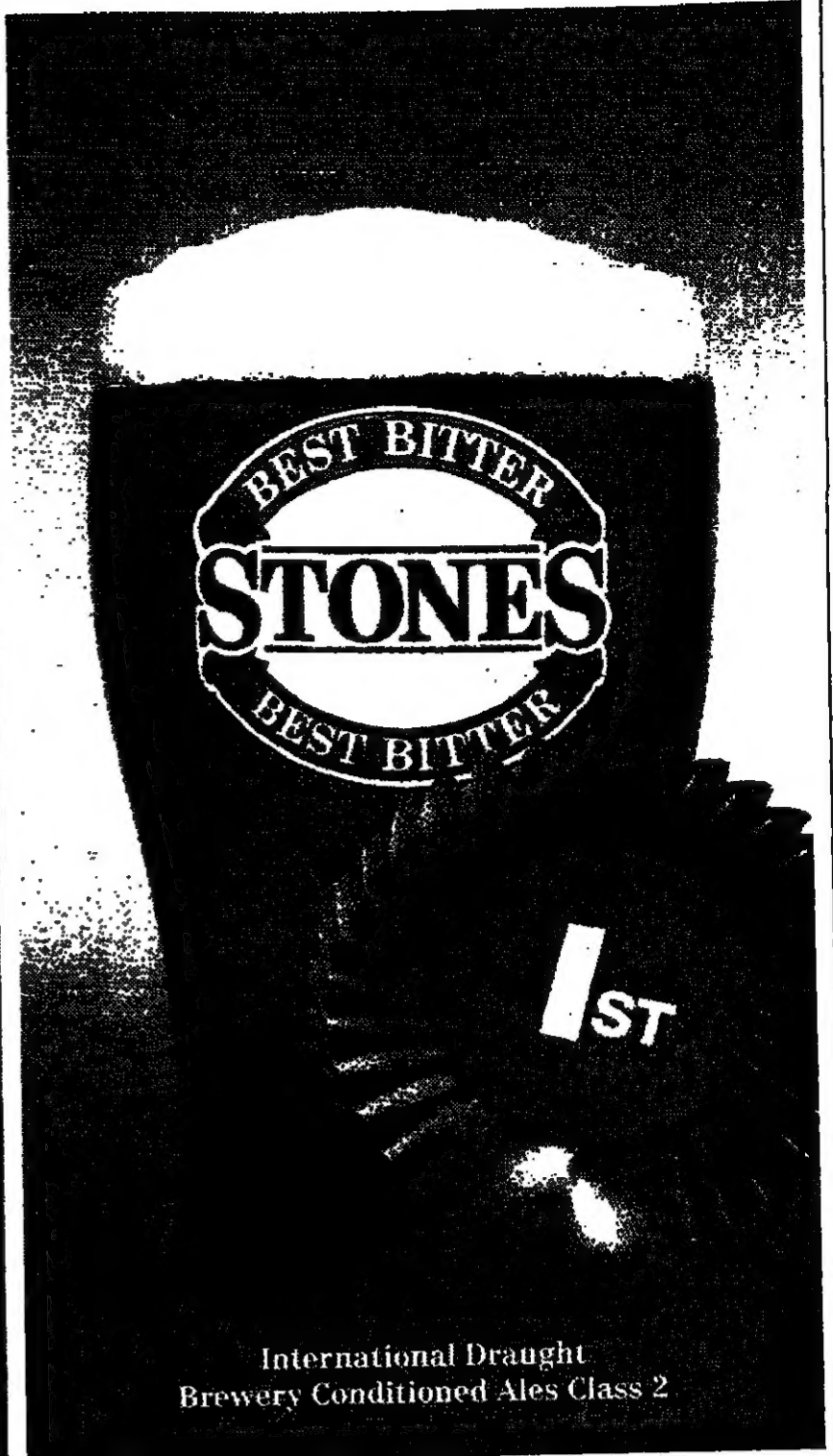




International Cask Conditioned Beer Class 2

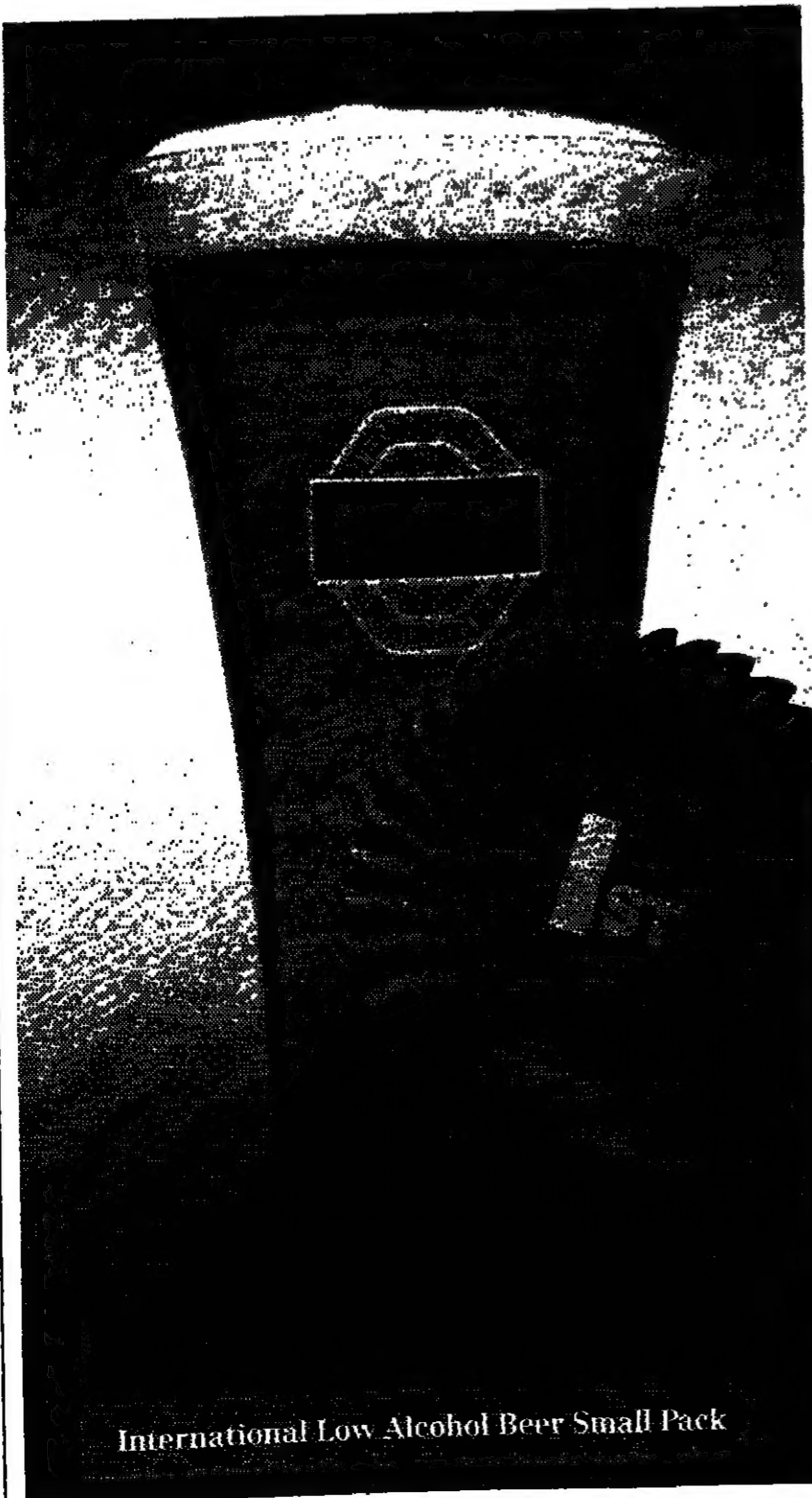


International Draught Lager Class 1



International Draught  
Brewery Conditioned Ales Class 2

# Following yet more awards, guess what we'll be organising again in our brewery?



International Low Alcohol Beer Small Pack



International Strong Beer Small Pack

That's right, another small celebration. At the 1992 Brewing Industry International Awards, following the recent success of Tennent's Pilsner, Draught Bass and Stones Best Bitter, we're pleased to announce that Tennent's Super and Tennent's LA have picked up first prizes in their respective categories.

In other categories, Tennent's Extra, Allbright Bitter and Carling Black Label picked up two second prizes and one third prize.

In all, over 700 beers from 37 countries were judged by an international panel of experts.

Their verdict gives testimony to Bass's belief in traditional brewing values and professional expertise.

And our belief that, in a brewery, you have to organise things properly.

**Bass Brewers**



## UK NEWS

## CBI SURVEY

## Retailers report rise in January sales

By Peter Marsh, Economics Staff

BRITAIN'S shops reported an unexpected rise in sales volumes last month compared with a year ago, according to a survey of the distributive trades published today by the Confederation of British Industry.

Although the report provides some evidence of greater confidence by consumers, the impact of the sales increase may be diluted by the sharp price cuts many retailers have introduced to combat the recession.

While confidence about sales volumes expressed by the whole of the distributive industry is considerably higher than a month ago, orders placed by distribution companies with suppliers remain fractionally down on last year, indicating that the sector remains depressed.

Even so, the study is likely to be seized on by government ministers to support indications that the economy may pick up in the few months before the election.

Mr Norman Lamont, the chancellor of the exchequer, is under pressure from cabinet colleagues to stimulate growth, possibly by a cut in interest rates ahead of the Budget on March 10.

Government figures due this week are thought likely to support the tone of the CBI study, and show that retail sales volumes showed a small increase last month on December's depressed levels. Other statistics are expected to indicate that the recession has so far lasted for six quarters - making it the longest since the second world war.

The CBI study covered 15,000 trade outlets in the distributive industry - retailers, wholesalers and car dealers. Clothing and shoe shops - which marked down prices drastically in January in an effort to boost volumes at the expense of profits - saw a "sharp turnaround" in sales last month compared with a year before.

But the CBI said sales of alcoholic drinks were well below 1991 levels, while retailers of electrical household goods saw modest increases.

In January, 45 per cent of the 283 retailers in the survey said sales were up on a year ago, and 24 per cent reported a decrease.

That gave a balance of 21 per cent which saw an increase, compared with a balance of 6 per cent in December which reported a drop in sales.

## Toshiba opens new UK factory

By Andrew Barker

TOSHIBA has opened the first Japanese-owned factory for air conditioning units in the UK as part of plans to expand its presence in the relatively untapped European market.

A former Toshiba microwave plant in Plymouth, south west England, converted and extended at a cost of £10m, was opened on Friday.

The plant is likely to intensify competition in the UK market for commercial air conditioning, where sales have fallen about 25 per cent over the past year because of the recession in the construction industry and retailing.

The move could also increase Japanese dominance of the market for small and medium-sized air conditioning, where five Japanese companies including Toshiba have captured 60-80 per cent of the market over the past 20 years.

Employment at the Plymouth plant is expected to rise from the current 120 to 150 when full production is reached early next year. The plant will then be capable of producing 25,000 units a year of various sizes, worth around £3m-£4m. About half of production will be exported.

Toshiba wants to secure its position ahead of the European Single Market reforms.

## BR to end policy of seniority promotion

By David Goodhart, Labour Editor

BRITISH Rail will from next month promote station staff on merit rather than length of service.

The policy of promotion on seniority alone was considered a major step forward by rail unions when they forced the private railway companies to concede the principle at the beginning of the century.

In those days there was a lot of nepotism and favouritism on the railways with managers picking their "blue-eyed boys" regardless of merit," says Mr Laurie Harries of the transport union RMT.

The union says it is no longer opposed to the principle of suitability as opposed to seniority in selecting job candidates and has already conceded this point for most other rail jobs.

But some reservations remain about giving management complete discretion. The introduction of an unpopular system of promotion assessment was one of the causes of the 1980 London Underground strike, led by the transport union.

Also, the union argues that because of the non-transferability of many rail skills, such as train driving, long-serving staff should be compensated for their limited options outside the rail industry by preference for promotion within it.

The union favoured compromise, which already applies to

train drivers and will probably now apply to station staff. It is that seniority should determine the order of applicants for promotion even if suitability will remain the final test of whether someone gets the job or not.

The abandonment of seniority as the sole determinant of promotion for station staff is being introduced as part of a restructuring of the four non-management grades, from ticket collector to station supervisor, which has finally been agreed after 10 years of negotiation.

Similar shake-ups are being introduced for other groups of rail workers, most of them driven by a desire to reduce what British Rail describes as "unreasonable" overtime levels - nearly one-quarter of all hours worked.

Almost 90 per cent of signals staff have agreed a package which makes Saturday and Sunday a normal working day, despite opposition from RMT.

Agreements have also been reached with cleaners and track supervisors.

However senior conductors have narrowly rejected a package which includes performance related pay and train drivers are also objecting to proposals for more flexible working and performance pay despite a 20 per cent increase in basic pay and a move to salary status.

## BRITAIN IN BRIEF



## Hitachi and Hoover sign marketing deal

Hoover is to sell washing machines in the UK under the name of Hitachi. This is the first step into the white goods market for Hitachi and will cause tremors in an industry which has considerable over-supply and falling demand.

In an allied move Hoover is to reorganise production in Britain and is closing its distribution depot in Bolton, north England, with the loss of about 250 jobs. It will concentrate distribution at its new £14m centre in Marbury Tydfil, Wales opened last autumn.

## Clothing sales decline

Most clothing retailers are currently making little or no profit in the cut-throat UK market, which has registered its third consecutive year of sales decline in 1991, according to a new report by Verdict, the retail consultancy. Total sales rose by 0.7 per cent in 1990 to £17.5bn but fell by 1.2 per cent after inflation had been stripped out.

Week-end demand has been squeezed by rising costs, widespread discounting and the overcapacity of the sector. Verdict estimates that clothing sales have grown by 25 per cent since 1989 but says many high-street retailers, such as Burton Group, Next and Debenhams, have been heavily cutting back their outlets.

Specialist clothing retailers sales fell faster than the market average with mail order companies and market stalls recording the steepest declines. Verdict expects a recovery in the next three months.

## Pay settlements are below 5%

Most pay settlements in January have dropped below the "psychological barrier" of the five per cent level making it unlikely that rising real incomes will help end the recession, according to the latest report of the pay analysts Income Data Services.

ID's findings on the whole economy tally with the latest manufacturing pay estimates produced by the Confederation of British Industry and the Engineering Employers' Federation. The CBI says that average settlements in the final quarter of last year dipped to 4.1 per cent from 4.5 per cent in the third quarter.

The latest survey of 100 companies, which recorded a customer satisfaction score of 40 per cent, and public transport, which recorded only 30 per cent. The National Health Service was rated satisfactory by 40 per cent of respondents and local education by 30 per cent. Forty eight per cent said they were satisfied with their local authority and only 35 per cent with central government.

## Japanese banks lead in London

Japanese banks have overtaken US banks as the most numerous foreign banking

community in London, according to an annual survey of foreign bank offices in the City.

Noel Alexander Associates reports that at the end of 1991 there were 49 US banks in London compared to 54 Japanese banks.

The number of American banks in London has been declining steadily since 1982. In that year, there were 77 American banks in the city.

Their decision to pull out of London seems to have been prompted mainly by the problems of the banking sector in the US rather than by a decline in London's importance as an international financial centre.

## Research income climbs

Research and contract income generated by British universities is growing at more than £100m a year, but their staff-to-student ratio is worsening, according to figures published today by the Universities Statistical Service.

Between 1989-90 and 1990-91, universities' total income from research and contract income grew by 20 per cent from £622m to £747m.

Of that sum, income from overseas organisations - including the European Community - increased by one third, with funds from research councils rising 20 per cent and those from UK-based charitable bodies increasing 16 per cent.

Over the same two-year period, total revenue grew by 14 per cent, from £5,418m to £6,189m. Almost half came from direct government grants, with 14 per cent from student fees and support grants, 10 per cent from research councils and a similar proportion from residences and catering.

## Small business confidence falls

Fewer small and medium sized companies are optimistic about commercial prospects than three months ago, according to a survey by the Investment Survey.

The study supports indications that business confidence has fallen recently, although it says the ingredients for a recovery are in place.

According to the survey of 1,000 companies in which 31 has a financial stake, 45 per cent expect sales to turn up over the next three months. In the last survey in the autumn the proportion was 49 per cent.

## Royal Mail wins approval

More consumers are satisfied with the Royal Mail's postal services than with any other public utility, according to an RMT survey.

The survey, based on a sample of 2,000 people, found that 70 per cent were satisfied with Post Office mail services and 70 per cent with courier services.

The least popular utilities were BT, which recorded a customer satisfaction score of 40 per cent, and public transport, which recorded only 30 per cent. The National Health Service was rated satisfactory by 40 per cent of respondents and local education by 30 per cent. Forty eight per cent said they were satisfied with their local authority and only 35 per cent with central government.

## Privatization of Lloyd Aereo Boliviano S.A.M.

— Interested Potential Bidders —

The Government of Bolivia has appointed The First Boston Corporation as its financial advisor in the sale of LAB to a private consortium. The Government requests that interested parties immediately contact one of the individuals designated below prior to February 21, 1992 in order to be considered for receiving an information package on the company.

The First Boston Corporation  
Park Avenue Plaza  
55 East 52nd Street  
New York, NY 10055  
U.S.A.

Attention:

Mr. Matty Vengerik  
Vice President  
Tel: (212) 909-4097  
Fax: (212) 355-3872

Mr. Jeffrey P. Kelly  
Vice President  
Tel: (212) 909-2602  
Fax: (212) 593-3179

## Voice, text, video, data, France Telecom masterminds all telecommunications for the 1992 Olympic Winter Games.

Albertville '92 will accommodate 800,000 seated or standing guests, and an audience of 2 billion seated at home.

1000 full-time France Telecom specialists, 100 video and 500 audio circuits for worldwide broadcasting rights owners, 100 km of optical fiber cable, 600 multilingual press terminals with voice and data transmission, videotex and facsimile facilities, ISDN availability, 500 commentator booths with full digital sound transmission capacity spread over the 13 Olympic sites, total radiotelephone and paging system coverage of the area... etc.

These are just a few of the impressive means France Telecom is setting up to make sure the world media present at Albertville can deliver optimum reporting to its home audiences. On this occasion, France Telecom will demonstrate its expertise in all aspects of telecommunications and its tremendous coordination abilities.

Behind all the impressive figures, however, there is a simple fact: France Telecom's unsurpassed competence can be made to work for you and your business, with practical, accessible, affordable, customized solutions which will bring the world closer to you.

We bring the world closer.

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# KLM decided on Dubai.

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Everybody knows KLM, Royal Dutch Airlines, as 'The reliable airline'. But did you also know that they are Europe's oldest? That means they must have learned a thing or two about professionalism, efficiency and service. That's why they chose Dubai as the hub of their operations for the Middle East.

KLM have been flying in and out of Dubai for nearly two decades. They've been satisfied and impressed with the level of service

they've received for their aircraft and for their passengers. And, of course, over the years, both KLM and Dubai International Airport have always striven to pass these benefits on to their customers. In fact, KLM were so impressed by Dubai and its advantages that they named a new 747-400 'The City of Dubai'. You can't say fairer than that.

Leisure facilities in Dubai are plentiful and the climate is ideal for water sports of every kind.

No wonder, because Dubai has a lot to offer. It's not only a leading commercial centre in the Middle East, it is also unrivalled as a base for doing business in the prosperous and growing markets of one of the world's most rapidly developing regions.

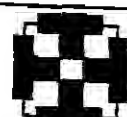
So, instead of wondering where to locate your business, take advice from KLM and decide ... decide on Dubai.

## Decide on Dubai

For more information on Dubai, please contact: Dubai Commerce and Tourism Promotion Board  
 Dubai: PO Box 594, Dubai, U.A.E. Tel: (971-4) 511400. Fax: (971-4) 511711. Tlx: 46182 DCTPB EM  
 North America: 8 Penn Center, Philadelphia, PA 19103. Tel: (215) 751-9250. Fax: (215) 751-9351  
 U.K. & Ireland: 34 Buckingham Palace Rd, London SW1W 0RE. Tel: (071) 828-5961. Fax: (071) 828-4891  
 France: 19 rue de la Trémoille, 75008 Paris. Tel: (01) 4723-7615. Fax: (01) 4723-3616  
 Germany: Neue Mainzer Str. 57, 4000 Frankfurt M 1. Tel: (49) 253422. Fax: (49) 253151.  
 Italy: 2 Piazzetta Pittagora, 20122 Milan. Tel: (02) 7202-2466. Fax: (02) 7202-0162  
 Far East: 26th Floor, Tower 1, Admiralty Centre, Harcourt Rd, Hong Kong. Tel: 527-4985. Fax: 801-2495  
 Japan: Akasaka Muzai Bldg., 1-7-3 Akasaka, Minato-ku, Tokyo 107. Tel: (03) 5562-9911. Fax: (03) 5562-9922

KLM were so impressed with all that Dubai has to offer, they named a brand new 747-400 after her.





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Telephone: (0625) 242626 Fax: (0625) 242666

## Community housing scheme

**HUNT THOMPSON ASSOCIATES (HTA)** has been appointed as community architects by the Waltham Forest Housing Action Trust for the redevelopment of three 1960s high rise estates. The three estates are Cathall Close, Leyton, and Chingford Hall, Chingford. Under the proposals most of the 2,100 high rise flats will be demolished in phases and their occupants will work with the architects on the design of the new two or three-storey homes which will be built to house them. The appointment of HTA covers the preparation of a masterplan for the redevelopment of each of the estates.

### Scottish hospital

**CEMENTATION PILING & FOUNDATIONS** has won an extension to its £818,000 contract for the Health Care International private hospital on Clydebank, Scotland. The initial 19-week programme for driving the 1,500 piles involved was awarded in August but has been extended to enable the driving of 400 precast piles for an adjoining hotel.

## Bristol foul water distribution plan

**HALFOUR BEATTY CIVIL ENGINEERING** has been awarded a water and energy contracts totalling over £12m.

Phase II of the Bristol northern foul water interception contract, valued at \$2m, has been let by the City of Bristol, agency for Wessex Water.

The work is to be carried out under a 180-week target cost contract and comprises 3.1 km of tunnels to carry the combined flows from the east and central areas of the City of Bristol to the main trunk sewer in the Avon Gorge.

Three different sizes of tunnel will be constructed through the sandstones and mudstones underlying Bristol, using road-header type excavation machines mounted inside tunnel shields.

Work is also about to commence on the Avon Ring Road Stage 1B (II) contract for the County of Avon. The £3.04m scheme is due to be completed by spring 1993.

The contract comprises the construction of two kilometres of 7.3 metre wide dual carriage-way, commencing at the junction of Western Road with Avon Ring Road Stage 1B(II).

Other contracts include the construction of gable walls for a quarry at Kendal in the Lake District for Tarmac Economics (£400,000); and a car park and access roads for the Queens Park Hospital at Blackburn (£234,000).

The contract housing division has won a £1.2m order for repairs to homes for Blairtummock Housing Association in Strathclyde and a £270,000 contract for the removal of balloons on housing blocks for Clydebank District Council.

Since 1989 the company has been awarded eight contracts for the construction of infrastructure and buildings at the park by the developer Arlington Property Developments.

Tarmac Structural Repairs has won two contracts worth more than £500,000 each. Repairs are to be carried out to all columns and cross beams including cathodic protection to a bridge taking the A4041 across the Tame Canal at Sand-

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## CONSTRUCTION CONTRACTS

### Residential conference facility

**A.F. BUDGE (BUILDING)** has been awarded a contract in Leeds for the refurbishment and conversion (pictured) of the Grade II listed Westwood Hall, Otley Road, Leeds into a residential conference centre.

Set in nine acres of mature parkland, this development is due for completion in spring 1993, and will be finished to high standards both internally and externally.

The centre will provide residential accommodation, conference and lecture rooms, banqueting suites and catering facilities for up to 150 guests.

Having originally acquired the Hall in 1919 for student accommodation, the University of Leeds is now taking advantage of the growing demand for conference facilities.

In a contract worth about \$5.2m, Budge will construct a three-storey stone faced extension with pitched roof and hardwood windows.

The Hall, parts of which date back to 1825, will also be extensively refurbished. This includes restoration of the external stonework, listed decorative ceilings and wood panelling.

The second contract, at Queen Elizabeth Dock, is an extension to the quayside road to enable development to the east. The \$300,000 contract is being undertaken by Associated Builders, Leeds.

Following the completion of a \$2.5m design and build contract for a European Research Centre at Buddington Fields, Nottingham, for Ramon, Hoffman and Pollard, Mowlem Northern's east Midlands division, based at Nottingham, has begun work on another design and build contract at this business park.

A two-storey office building, providing 30,000 sq ft at the entrance to the park, will form the new headquarters of a major government department.

The Nottingham office has also won a £1.2m contract from the Derwent Housing Association to build a 38 bed trail and elderly sheltered housing unit at Sweeney Way, Toton.

The Leeds office is engaged on a \$1.2m sheltered housing scheme in Meanwood for the Anchor Housing Association.

Contracts worth \$7.9m have been won by **MOWLEM NORTHERN**, a division of John Mowlem Construction.

The Bentley office is working on two civil engineering contracts at Queen Elizabeth Dock in Hull.

The larger project, worth \$2.2m, comes from Hull Bulk Handling, a division of Fernwood Holdings, involves construction of bulk handling facilities, including a one kilometre raised conveyor on trestle legs and pile foundations, connecting the dock to a stock-

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## ARTS

Purcell  
Room  
recitals

Not before time the South Bank is endeavouring to lift the image of the Purcell Room. After years of this venue providing a bald platform space for recitalists to perform in front of invariably meagre audiences, it is getting a bit of a face-lift, with avant-garde works of art on the walls, new curtains on stage and a few potted plants for evening events.

If this is the Cinderella of the South Bank's three concert halls, one can hardly claim it is being dressed up for the ball. But then cosmetic trappings like these will never count for much. The hall has good acoustics, which matter far more. And audiences will only come if the programmes are seen to be more enticing than in the past. I attended a pair of events last Thursday and may have been lucky, for these proved to be two uncommonly enjoyable recitals.

The first was at lunchtime, a Bostini birthday programme. As befits a mid-day audience, it was made up of popular items, including favourite excerpts from the comic operas and the *Sorcerer's Apprentice*. But everything was set across in the right spirit, light-hearted without being winsome. The soprano Eileen Hulse, accompanied by Scott Mitchell, offered a few nicely-turned songs and Yvonne Hewson announced herself as a classical singer, her repertoire of noted promise, able to move her warm mezzo around with a real sparkle.

Then, in the evening, came the first in a new series of song recitals. By and large the artists who will be appearing are not established figures on the recital platform, but this opening evening with the soprano Janis Kelly has set a standard for the others to follow — not least in the style and judicious touch of 1920s glamour with which it was presented.

The programme was an all-French one. It may be that the voice itself wanted some of the glamour of the singer's appearance, but if that means that she is prepared to work harder on the words to compensate, then it matters little. There was no doubt here that we had a recitalist who understood what she was singing and could speak the poems aloud quite eloquently if she wanted to. The fast patter of her Poulenc *Chansons de Max Jacob* went with a deal of the zing which is quite crucial to them.

The other voice was an important one, shared equally between the singer and her accompanist, Iain Burnside; they both understood that in the French repertoire the less one does, the more the music is likely to respond. A group of French melodies was presented with a light touch, the songs were so simply handled, strictly no sentimentality allowed. Satie's word-play in "Daphné" and his "Mad-batter in 'Le Chapelet'" were dead-pan humour at its most killing. On the surface this looked to be a modest recital, a shortlist programme by a singer not previously well-known in the field and schooled in a rigorous style of interpretation, a few too many physical gestures apart, and yet it delivered more than does many a lavishly-feted prima donna. At the end I could happily have sat through it all again.

Richard Fairman

## ARCHITECTURE

## A chapel to remember

A new building of European stature in England is a rare thing. I felt that I had seen one when I recently visited the new chapel at Fitzwilliam College, Cambridge, designed by MacCormac, Jamieson Prichard — the practice of Richard MacCormac, the current President of the Royal Institute of British Architects.

Fitzwilliam College is situated to the north of Cambridge's city centre, where it occupies a flat site of some eight acres. The first range of residential and college buildings were designed in the 1960s by Sir Denys Lasdun. The budget was extremely restricted by the modest resources of the University Grants Committee. As a result the long ranges of brick and concrete buildings are functional but uninspiring.

The plan of the college, devised by Lasdun, was an intelligent one with a spiral arrangement of college buildings around the centrally placed hall and public rooms. The hall itself does provide a moment of architectural excitement with its explosion of parabolic curved roofs soaring from a fort-like brick base. More recently a new residential range was added to an intriguing design by Richard MacCormac. This is now looking very well as the planning grows around the window bays from a series of brick terraces.

The chapel is the latest addition to the college and is the result of a generous private benefaction. It seems to me to be one of MacCormac's best and most complex buildings. He had a difficult task to join a modest chapel on to a Lasdun range. What he has achieved is a small creation resonant with architectural ideas.

The plan is a circle joined by a bridging element to the flat and of an existing block. The circle defines the whole building, immediately giving it a strong but discreet character on the college campus. The chapel itself is on the first floor and is reached by two curving staircases that gradually emerge into the clear light of the main chapel space. This is defined by four structural columns supporting a flat roof which surmounts a clerestory of windows giving top light. In

section, the chapel lies like a boat moored between the staircases, apparently suspended in space. The impression of a boat is reinforced by the swelling timber underside of the chapel which you pass as you climb the stairs; you almost feel as though you are clambering into the safety of a sturdy rowing boat as you reach the timber floor of the main chapel, a sensation which is enhanced by the ships' railings surrounding the edge chapel. The altar stands towards one edge of the circle. Behind the altar is a flat wall of glass giving out to a beautiful view of lawn and trees.

I heard the architect talk in Oxford about his chapel and the symbolism of its design. We are, when we approach the chapel, moving on a journey through life that takes us into the safe haven of an ark which may transport us into the after life. The boat-like form of the small chapel inside the thick walls is a protected place where we can deal with grief and death and look out into the only eternity we can see — the perpetual miracle of the renewal of nature. This is an intuitive building, its mystical sensations made manifest by the care exercised by the architect — and the craftsmen, who built the chapel and made the joinery to such a high standard.

For once, here is a building that prompts a whole series of architectural associations and influences. The circular form with cubic shapes inside it has a long tradition. In 1553, Vignola built a cube with an oval drum at the church of S. Andrea in the Via Flaminia, Rome. He was to develop this oval design at S. Anna dei Palafrenieri in the Vatican later in the late 1560s. Here the church itself is oval in plan, but set inside a rectangle. Michelangelo's Capella Sixta in S. Maria Maggiore in Rome (built to Michelangelo's design but probably completed by Giacomo della Porta in the late 16th century) is a real precedent for the Fitzwilliam chapel. In plan the apsed transepts are formed of curves which are less than a semicircle. The whole design shows incomplete forms leading into one another — something later Baroque

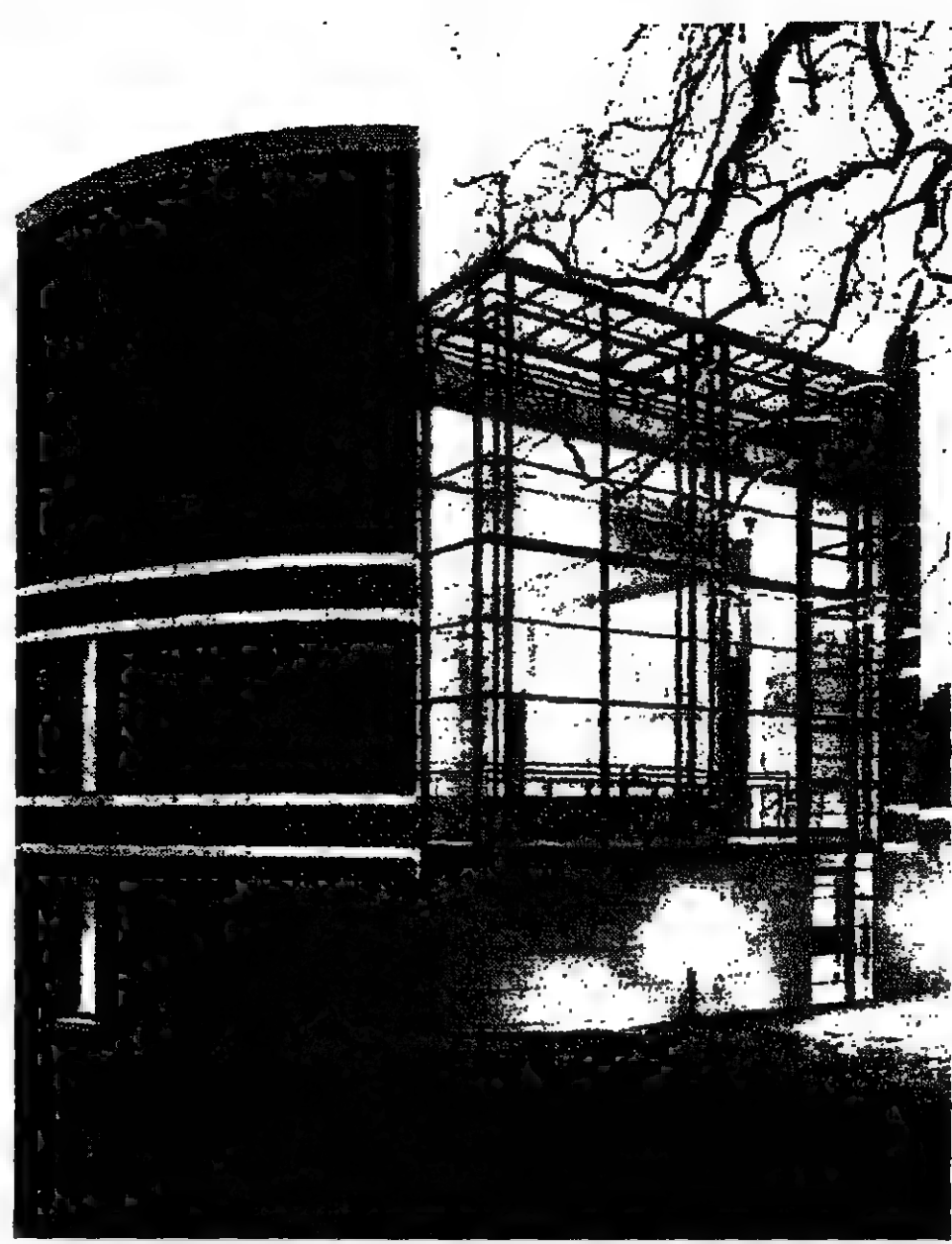
architects, especially Borromini, were to understand and exploit.

The favour of MacCormac's chapel is, however, far from the Baroque. There is more than a resemblance to the work of Sir John Soane. This is seen in the way MacCormac cleverly allows light into the building, through the interstices of the various elements. Soane, too, was intrigued by the idea of "things inside other things". The great glass wall that allows nature to surround the altar comes from the famous student's chapel at Otaniemi near Helsinki, in Finland, designed in the 1950s by Kajja and Heikki Siren. There a glass east wall brings the rather melancholy world of Finnish pine forests into the chapel. A large wooden cross stands in the wood beyond, like something from a wintry painting by Casper David Friedrich.

Two other elements of the chapel are redolent of recent architectural history. The whole sense of fine timber and skilled carpentry brings into the mind the world of Frank Lloyd Wright's early houses and, perhaps more particularly, the Californian timber houses in Pasadena by the brothers Greene and Greene. The other element, the curved form of the brick walls, seems inspired by the work of Louis Kahn at his Saik Institute at La Jolla, California and his Government buildings in Bangladesh. Mario Botta, too, has recently perfected the form of the circular brick tower — especially in his remarkable office "castle" in Lugano.

This small Cambridge college chapel is an important and enjoyable new building. Labels have been attached to MacCormac's work, but he has been called a Romantic pragmatist. I suspect that all that really means is that he has taken advantage of the freedom of form and structure made possible by modernism — and added to it an imaginative sensitivity inspired by the more romantic strands of recent architectural history. Couple this understanding with a very strong sense of the value of materials, and you have a combination of geometry and feeling that is both remarkable and rewarding.

Colin Amery



The latest addition to Fitzwilliam College is the result of a generous benefaction. Richard MacCormac has achieved a small creation resonant with architectural ideas

Die Eroberung von  
Mexiko

## HAMBURG

Wolfgang Rihm's commission from the Hamburg Staatsoper is his fifth work for the opera house, though he has shrunk from calling them "operas" and settled instead for the more neutral, enigmatic description of "musical theatre". But *Die Eroberung von Mexiko* ("The Conquest of Mexico") makes a thrilling piece of music drama on the grandest imaginable operatic scale, with its requirement for orchestral ensembles to be dispersed around the auditorium, pre-recorded tapes, a huge chorus, and singers and speakers in the pit who "shadow" the voices of the onstage protagonists.

It also deals in big and intrinsically dramatic cultural ideas, chronicling the arrival in pre-Columbian Mexico of Cortez and his conquistadores and their bloody subjugation of the native people and their beliefs. The confrontation between Cortez and the Mexican god-king Montezuma is at its core, and that clash of larger-than-life personalities is the starting point for Rihm's libretto, which he has based upon Antonin Artaud's 1934 outline scenario of the same name. Other textual references are drawn into the dramatic net too — the poetry of Octavio Paz, for instance, but in many ways the treatment of *Die Eroberung* is far more direct than in Rihm's previous large-scale dramatic pieces: there is none of the bundling of myths and philosophical considerations to be found in his *Hamlet machine* and *Oedipus*.

from the 1960s which, together with Rihm's Artaud ballet *Tuiguri* from 1982, are the new work's likeliest precursors.

What is carried over from these works is the economy of dramatic means: there is no clutter of superfluous characters to supply local colour, no weighing-down narrative to impede the action. The text focuses upon Montezuma and Cortez, the clash of masculine and feminine, the human and animal, to underline that the Mexican king is sung by a soprano onstage (the wonderfully elegant and assured Renate Behle) and doubled by high soprano and contralto in the pit. The Spaniard is portrayed by a baritone (the light-hearted, charming and animal to underline that the Mexican king is sung by a soprano onstage (the wonderfully elegant and assured Renate Behle) and doubled by high soprano and contralto in the pit. The Spaniard is portrayed by a baritone (the light-hearted, charming and animal to underline that the Mexican king is sung by a soprano onstage (the wonderfully elegant and assured Renate Behle) and doubled by high soprano and contralto in the pit.

Through the synopses identify four distinct parts — Prologue, Conquest, Overthrow, Abolition — the action moves seamlessly, wonderfully paced. The opening section presents a potent image of a "waiting Mexico" dominated by magic and intuition. The music and action grow steadily out of nothingness. Percussion figures are tossed around the auditorium, muttering choruses begin to well up as heard, and identifiable vocal lines begin to define themselves. Elsewhere there is an

astounding range of vocal and instrumental effects, always precisely focused — massive choral outpourings (recalling the power and weight of Rihm's *Das*, heard in London last year), sensuous melodic lines wrapped around the entwined voices, fierce declamatory explosions, threatening rhythmic chanting, matches of convincing tonality.

Without a complete score or libretto it was impossible to determine how much of the detailed dramaturgy of the Hamburg staging that counterpoints the musical scheme is part of Rihm's prescription, and how much the work of the director/designer Peter Mussbach. After the horrors of Mussbach's *Idomeneo* in Amsterdam last year it is reassuring to encounter a production as visually stunning and dramatically cogent as this. With bold, simple geometric designs and the use of primary colours, he never obscures the action, and finds images that complement precisely Rihm's surreal imagination.

*Die Eroberung von Mexiko* ends with the sight of a huge black cube, teetering obligingly downstage; inside it are Cortez and Malinche, trapped in irresolvable conflict, while the music fades out on a lush, unaccompanied duet for Montezuma and Cortez that seems on first hearing as haunting as anything in contemporary opera. It is an important new work.

Andrew Clements

## Leo in Love

## MUFFIELD THEATRE, SOUTHAMPTON

If *Leo in Love* serves one useful purpose, it is as a reminder that long the comedy is not simply the preserve of the commercial theatres of London and New York. The French, who after all invented the term, are responsible for this fatuous excursion into the emotional byways for middle age.

Jean Seurat's play, adapted and translated in the archaic, creaky in the joints and warped in the wheels, but offers a more or less roadworthy ride to an actor of a certain age. Produced originally as *L'opéra de la Renaissance* in Paris in 1971, it was taken up by the French actor Georges Wilson, for whom it has become something of a speciality, and arrives in Southampton under the wing of Martin Jarvis.

The plotline is contrived to within an inch of its life. The spoony Leo, woman hating bachelor, has a chance meeting on a riverbank with the "dead letter supervisor" for the Paris post office — a civil servant responsible for disposing of undelivered mail, who tells him of two misrouted letters from women which he opened years earlier. One is from a suitor to get lost, while the other — to a man called Leopold — specified the time and venue for a romantic tryst, which, *Adieu*, must never have been kept.

Realising the letter to have been addressed to him, Leo is immediately transformed from curmudgeonly fisherman to ardent roger, who fixes all the village romances while inventing his one-time sweetheart and authoress of the letter to star in the hope of rekindling their amour. Marie-Turess.

rather amusingly played by Sarah Seidel — is now a pretty widow with no inkling of Leo's blighted love nor any recollection of the aborted assignation.

In the interests of those who plan to see the show during its forthcoming tour of the southern counties, I will give no more away except to say that director Patrick Sandford has driven a Rolle-Royce of a cast down a pretty patrician road. The capering joviality of Jarvis is nicely offset by a handful of cameos including a stringy spinster from Angela Pleasence and a sniffling priest from Christopher Godwin. The set, by Robin Don, is a delight.

## Claire Armitstead



Martin Jarvis as the woman hating bachelor

## Romeo and Juliet

## ROYAL EXCHANGE, MANCHESTER

One of the delights of the Royal Exchange Theatre in Manchester is that — as its name suggests — it is the home of the old stock exchange. The theatre in the round is on the trading floor. It is ringed by galleries and some of the old prices can still be seen chalked on boards.

This seemed a natural place for *Romeo and Juliet*, evoking images of Romeo shinning up and down. The Manchester theatre, however, is full of surprises, and the central surprise of Gregory Hersov's modern dress production is that there is no balcony scene as such. Instead there is a bed scene; a large double bed where the adolescent lovers come of age is placed firmly in the centre of the stock exchange floor. Afterwards Romeo departs with a climbing rope, but we never see it being used.

There are other novelties. This is the first time I have seen the early love-sick Romeo enter drinking from a bottle of Jack Daniels. Played by Michael Sheen, he also smokes heavily and wears a ring in his left ear. Alcohol is prominent throughout. The nurse (Gillian Harms) gets drunk at the banquet. The icy Lady Capulet (Amelia Bullmore) seldom appears without a glass in hand, possibly as a sedative to protect her from her husband, splendidly played as a north country businessman by John Branwell. In the background there is a touch of John Braine's novel, *Room at the Top*.

Poetry is not the production's strong point. Mercutio's Queen Mab speech, spoken by Jud Meyer, comes out as rap, with the music going in the

background. There are no pauses to let the beauty of the lines take over. And whatever else may be said of Kate Byers's Juliet, she is at her best when speaking verse. Some of the best-known lines like "Gallop, gallop, your fiery-footed steeds" come out as if they were simply par for the course.

Nevertheless, the entire show is an extraordinarily vibrant spectacle which, one is tempted to say, owes something to *West Side Story*. The remarkable fact is that, apart from the poetry, it gets everything right. This Juliet is, as the lightest of the stage, more mature than Romeo, and clearly a handful for her parents. Romeo matures later and the piece is full of adolescent energy and changes of mood. The lights, seemingly springing up from nowhere, are convincing throughout.

The production owes a lot to the set, designed by David Short, and the lighting by Michael Giff. At first it looks as if the play will be done almost without scenery and props — in line with the modern dress. The main device is the light: Cat's paws get the shimmering Italianate heat rising up from the floor. Yet the initial absence of props is deceptive. It draws attention to the importance of the bed when it appears centre-stage. And by the death scene at the end, the stage is almost crowded with tombs.

The performance runs in Manchester until March 28 and then tours a number of leisure centres around the country. It is worth catching anywhere.

Malcolm Rutherford

INTERNATIONAL  
ARTS  
GUIDE  
TODAY'S EVENTS

## AMSTERDAM

Concertgebouw 20.15 Katia and Marielle Labèque play music for two pianos. Tomorrow: Ton Koopman directs the Amsterdam Baroque Orchestra, plus a recital by Jeroen van Nieuwenhuys. Thurs and Fri: André Previn conducts the Royal Concertgebouw Orchestra. Sat afternoon: Frans Brüggen conducts the Rotterdam Philharmonic. Sat evening: Ely Ameling. Sun: Royal Flanders Philharmonic Orchestra (8718 345).

## BOLOGNA

Teatro Comunale 21.00 Trevor Pinnock directs the English Concert in music by Handel, Bach, Telemann, Vivaldi and Corelli. Tomorrow, Thurs and Sun: Roberto Devereux (529999).

## BARCELONA

Palau de la Musica 21.00 Wolfgang

Sawallisch conducts the Orchestra of La Scala, Milan. Thurs: Alexander Lazarev conducts the Bolshoi Orchestra and Chorus (288 1000). Tomorrow and Thurs in Gran Teatre del Liceu: Roberto Gerhardt's *Die Duenna*. Wed: song recital by Simon Estes. Sat: Jose van Dam (412 1466).

## BERLIN

MUSIC Schumannhaus 20.00 Neeme Järvi conducts the Berlin Philharmonic Orchestra in Stenhammar's *Excelsior* overture, Grieg's Piano Concerto (soloist Leif Ove Andsnes) and Nielsen's Second Symphony. Wed: Uwe Gronostay conducts Verdi's *Requiem*. Thurs, Fri, Sat: Giulini conducts the BPO (East Berlin 2090 2156). Deutsche Oper 20.00 Rafael Frühbeck de Burgos conducts Götz Friedrich's production of *La bohème*, with Eva Johansson and Antonio Ordonez. Tomorrow and Sat: Aida. Wed: Tannhäuser. Thurs: ballets by Béjart and Balanchine. Fri: Die Zauberflöte. Sun: Das Rheingold (West Berlin 3410 2469).

## THEATRE

East Berlin: the Maxim Gorki Theatre has a new production of Arthur Miller's *Death of a Salesman* opening on Sun, directed by Siegfried Buhr, with Klaus Manchen as Willy Loman. The repertoire also includes Heiner Müller's play *Leben Gundlings* tonight, T S Eliot's *The Cocktail Party* tomorrow, Carol Churchill's *Top Girls* on Thurs and Peter Shaffer's *Amadeus* on Fri (2082 748). The Deutsches Theater has Ionesco's *Le Balad Prima Donna* on Wed and Kleist's *Das Käthchen von Heilbronn* on Thurs and Fri.

(2871 225), with Schiller's tragedy *Die Verschwörung des Fiesko zu Genua* on Thurs and Fri at the Kammeroper (2871 225). West Berlin: the Schauspielhaus has Botho Strauss's *Schlussschuss*, directed by Luc Bondy, on Wed, Thurs and Fri (890223). The Theater am Kurfürstendamm has daily performances of a stage adaptation of Woody Allen's *A Midwinter Night's Sex Comedy* (8823 789), and the Theater des Westens has the musical *Sweet Charity*, daily except Mon (3190 3193).

## GENEVA

Victoria Hall 20.30 Armin Jordan conducts the Orchestra de la Suisse Romande in Schubert's Eighth Symphony, Strauss's Oboe Concerto (soloist Roland Perrenoud) and Mahler's Des Knaben Wunderhorn (soloist Anne Sofie von Otter). Repeated on Thurs in Lausanne (292511). Wed and Sat: Grand Théâtre. Thurs: ballets by Béjart and Balanchine. Fri: Die Zauberflöte. Sun: Das Rheingold (West Berlin 3410 2469).

## THE HAGUE

Dr Anton Philipsaal 20.15 Ton Koopman directs the Amsterdam Baroque Orchestra in an all-Haydn programme. Wed: Reinbert de Leeuw conducts the Schöenberg Ensemble in music by Scriabin, de Vries and others. Fri and Sat: Günther Herbig conducts the Residentie Orchestra in Schubert's Eighth Symphony and Mahler's Fifth (360 9810).

## LONDON

Covent Garden 19.30 Royal Ballet triple bill: Ashton's *Scènes de ballet* and Monettes, plus William

Forsythe's in the middle, somewhat elevated with Sylvie Guillem and Laurent Hilaire, also Thurs. Tomorrow and Sat: Don Giovanni. Wed: Giselle (071-240 1069). South Bank Centre 19.45 Michael Collins and Mikhail Pletnev play music for clarinet and piano by Weber, Poulenc, Debussy and others. Thurs and Fri: Tannhäuser. Teller conducts Gershwin and Bernstein. Wed: David Atherton conducts the BBCSO in a Stravinsky programme. Thurs: Peter Katin plays Chopin. Fri and Sun: Tennielit conducts Beethoven. Sat: Robert Cohen plays Elgar's Cello Concerto (071-928 9800).

Barbican 19.45 Sian Edwards conducts the English Chamber Orchestra in music by David Matthews, Bartok, Howard Skempton and Kurt Weill, with Emma Johnson soloist in Michael Berkeley's *Clarinet Concerto*. Wed: Halévy's *La Juive*. Thurs: Moscow State Symphony Orchestra. Sat: LSO plays Shostakovich's Fifth (071-638 8851).

Royal Albert Hall 19.30 Eric Clapton and his band. Also tomorrow, Sat, Sun and next Mon, Wed, Thurs and Fri (071-823 9998).

## MILAN

Teatro alla Scala 20.00 Michele Campanella plays piano music by Prokofiev. This is the only event at La Scala this week (720 3744).

## NEW YORK

Metropolitan Opera Tonight at 20.00: first performance this season of *Rigoletto*, conducted by Nello Santi, with Ruth Ann Swenson, Richard Leech and Alain Fondary,

also Thurs. Tomorrow: Un ballo in maschera. Wed and Sat: Il barbiere di Siviglia. Fri: Tannhäuser (382 5008). Avery Fisher Hall Tomorrow's New York Philharmonic concert is conducted by Andrew Davis, and includes Sibelius's Fifth Symphony. Thurs, Fri and Sat: Kurt Masur conducts symphonies by Franck and Brahms (875 5030). New York State Theater This is the final week of the New York City Ballet season. There are daily performances from tomorrow till Sun, with matinees on Sat and Sun. The performance on Sun evening is a Dancers' Emergency Fund Benefit (870 5570).

## PARIS

Opéra Bastille 19.30 Myung-whun Chung conducts André Engel's production of Lady Macbeth of Mtsensk, repeated on Thurs and Sat. Tomorrow and Wed in the Amphitheatre: Yukio Mihama in a Noh theatre production (4001 1618). Châtelet Auditorium 21.00 Buster Williams Quintet opens a week of jazz events. Tomorrow: Von and Chico Freeman Group. Wed: Henry Threadgill Ensemble. Thurs: Benny Golson and Curtis Fuller Group. Fri: James Moody Quartet. Sat: Courtney Pine Septet. Fri, Sat, Sun in Châtelet main theatre: Frankfurt Ballet (4028 2840). Salle Gaveau 20.30 Richard Hickox conducts the Ensemble Orchestral de Paris in Haydn's First Piano Concerto (soloist Patricia Pagny) and Mozart's *Symphony No 39* (4953 0507). Théâtre de la Ville 20.30 Recital by Chaurasia, Indian Rautai,

Tomorrow till Sun: Bernard-Marie Koltès play *Roberto Zucco*. Fri and Sat at 18.00: Janos Starker plays cello sonatas (4274 2277). Palais Garnier From tomorrow till Sat, the Stuttgart Ballet gives daily performances of John Neumeier's *A Streetcar Named Desire* (4017 3535). Théâtre des Champs-Élysées On Fri, Rockwell Blake sings arias by Mozart and Rossini with the Sinfonietta of Picardy. Sat: Claudio Abbado conducts the first of five performances of Rossini's *Il Viaggio a Reims*. Sun and next Mon: Carlos Kleiber conducts the Vienna Philharmonic (4720 3537). Salle Pleyel Lynn Harrell plays Haydn's D major Cello Concerto in this week's *Orchestre de Paris* concerts on Wed and Thurs, conducted by Neeme Järvi. On Sat, Alexander Gibson conducts the Orchestre National d'Ile de France in Grieg's Piano Concerto (soloist Philippe Cassard) and Sibelius's Fifth Symphony (4583 0785).

## UTRECHT

Vredenburg 20.15 André Previn conducts the Royal Concertgebouw Orchestra in Brahms's Violin Concerto (soloist Viktoria Mullova) and Elgar's Second Symphony. Wed: song recital by Jeroen van Nieuwenhuys. Sun: Lazar Berman piano recital (314544).

## VIENNA

Staatoper 19.30 Minkus's ballet *Don Quixote*, also Thurs. Tomorrow: Otello (Domingo). Wed and Sat: Die Frau ohne Schatten. Fri: Madama Butterfly. Sun: Die fliegende Holländer (31444 2950).

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## FINANCIAL TIMES

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## How to cut BT's prices

THE MOST encouraging feature of the BT price review, which started last month, is that it will be conducted to a large extent in the open. Past examinations of the telecommunications group's prices by OfTel, the industry regulator, have been behind closed doors.

Openness is important not just because price control must be seen to be fair to BT's customers. It is also important because errors in controlling the company's prices in the past have mainly resulted from OfTel's exclusive reliance on its own internal resources. Sir Bryan Carsberg, OfTel's director-general, may be a distinguished accountant, but he has a tiny staff to pitch against BT's army of lawyers, economists and accountants. By consulting widely, Sir Brian should receive help from independent experts.

Sir Bryan is right when he asserts that a price cap is a better way of controlling BT's monopoly power than direct curbs on profits. A price cap gives the company an incentive to improve efficiency, because it is allowed to keep any extra profits that it earns through cutting costs.

But profits must be taken into account in setting the price cap. The cap should allow BT to earn reasonable profits if it makes reasonable progress towards higher efficiency, but reward it with extra profits only if it makes exceptional progress on efficiency.

## Detailed forecasts

Judging exactly how far BT's prices should fall can only be made on the basis of detailed forecasts of the effect on profits of different price caps and of different degrees of efficiency. OfTel will be doing this work in the next few months. In the new spirit of openness, it should publish these before concluding a deal with BT.

On the basis of the figures now in the public domain, however, the provisional conclusion has to be that BT's profits are excessive. In the financial year to the end of March 1991, BT earned a return of 35.4 per cent on the capital employed in its regulated businesses, compared with the 18 per cent that OfTel had initially expected. The difference

between these two rates - about 1700m in hard numbers - is a measure of BT's extra profits.

What then should be done? Nothing, according to BT. Its argument is that the price cap, which is tightened last year, is already cutting profits, as the 4 per cent decline in pre-tax profits for its third quarter reported last month shows. The likely effect of the current cap should, indeed, be the starting point for the review. But looking at one quarter's profits in isolation, especially in the depths of a recession, cannot be the basis for a formula that will last for four or five years. Profits normally fall in recessions. Most other companies have been much worse affected than BT.

## One-off cut

If, as seems likely, BT is still earning excess profits when the current cap expires, there are two principal ways of returning them to telephone users. OfTel's preference would be to tighten the cap a notch or two, but a one-off cut when the next price cap is imposed would also be possible.

Sir Bryan's objection to a one-off cut is that BT would have less incentive to improve efficiency in future if extra profits earned this way were clawed back immediately. He argues that in a competitive market, which ought to provide the benchmark for regulating a near monopoly like BT, firms with particularly high efficiency see their extra profits eroded gradually because it takes time for rivals to catch up.

This argument would be conclusive if BT's extra profits were the result of better-than-expected efficiency. But OfTel has explained the divergence between BT's actual profits and its forecasts mainly in terms of its initial decision not to regulate the company's international call charges, which earn a return on capital of over 80 per cent. Why should BT's customers have to pay more because of a regulatory oversight? It seems sensible to phase out extra profits that stem from BT's extra efficiency only gradually, but it would be better to hand back those that do not in the form of a one-off cut.

## Short-changed

PUTTING your money into a savings account with a bank or building society is no longer the straightforward activity it once was. As a growing number of savers have discovered in the last year, banks and building societies commonly discontinue a well-established savings account and replace it with a similar one offering better terms to attract new customers.

Savers who do not monitor carefully what their building society is doing may be stranded in an account which earns less interest than they have a right to expect.

Building societies offer several excuses for doing this kind of thing. One is that in the age of retail financial markets, savers ought to shop around constantly for the best bargain as they do when buying cornflakes or shoes. Another is that savings institutions are forced into this sort of play because consumers are already too astute and the savings business is less profitable than it used to be. The real reason seems to be that computer technology has made it easy to

close off existing customers and old accounts, and thereby pay the better interest rate only to a smaller group of new customers.

A recent ruling by the Building Societies Ombudsman accepts that societies should take reasonable steps to inform customers of new accounts by advertising in the press and publicly in their branches. Rather weakly, the Ombudsman stopped short of insisting that building societies should actually tell customers directly when a better account is available.

Yet when TSB Bank opened a new savings account recently, it wrote to all holders of similar old accounts, telling them they would be transferred to the new one. One society, National & Provincial, has promised to tell its customers what the best account is for each individual. Quite right too. Savers are not only the customers of building societies: they are also their owners. When an industry treats its owners this way, it is a sign that something is going seriously wrong.

## Water babies

THE CHAIRMEN of the UK's privatised water companies have not hitherto been seen as negotiators in the Gordon Gekko class. Yet in one week's frantic haggling in July 1989, they appear to have out-negotiated ministers and civil servants to the tune of £2bn.

The story is told in the National Audit Office's account of water privatisation, released on Saturday. Even through the foot-deep litter of Whitehall caveats, it is possible to detect what really happened.

The government's merchant bank adviser, Schroders, told it that - partly because of regulatory uncertainty - water companies' shares would have to yield more than those of British Gas. It argued that the companies would need to cover their interest payments for four times over with profits for a mass market privatisation to succeed.

That was what the government wanted, but it tried to keep interest cover to three times. Enter, in that crucial July week, the water chairmen, playing their trump card: unless the government loosened controls on prices, and

gave them stronger balance sheets, they would have to make heavy qualifications (the NAO's words) in their flotation prospectuses.

Over the next few days, the government caved in: it relaxed price ceilings, switched from net debt to the companies' £435m to a cash injection of £1.1bn; jacked up predicted future costs; and gave way on interest cover.

Since much of the companies' riskiness had now been eliminated, was it still necessary to offer such a generous yield? Apparently so. The average yield was set at 8.55 per cent, compared with British Gas's 7 per cent.

The sale went well. Since then, the water companies' shares have outperformed the market - and British Gas - by 80-90 per cent. They now yield less than Gas.

Water privatisation raised £3.6bn for the taxpayer, some £2.13bn less than the government's "illustrative" estimates before the July negotiations started. Let us have simpler, more leisurely privatisations in future, says the NAO. Let us have better negotiators, too.

It is the best of times and the worst of times for Ford in Europe. Never has its performance in the world's biggest car market been painted in such stark colours of success and failure.

It achieved record car sales in western Europe last year and yet collapsed into a record loss, compounding the huge losses it had also racked up in the US.

The world's second-largest vehicle maker captured its biggest ever shares of the Italian and French car markets and achieved its highest-ever sales volume in Germany.

In the UK it suffered its lowest car sales since 1977 and, most alarmingly, its UK market share sank to its lowest level since 1975.

At Ford of Britain - traditionally the mid-cow of its European operations - record profits of £437m (on ordinary activities) in 1988 have been transformed in three years into a staggering loss (on ordinary activities and before extraordinary gains) of £202m in 1991.

In the US parent company's books Ford made a net automotive profit of \$284m last year in continental Europe. The surplus was obliterated, however, by the losses of \$761m at Ford's established British operations and losses of \$344m at Jaguar, plus the heavy financing costs - \$247m - of the Jaguar acquisition. The result was a European automotive loss of \$1,079m.

The woes of Ford's mainstream operations in the UK have been compounded by the medium-term financial disaster of the Jaguar takeover. The £1.6bn proudly paid for Ford at the end of 1989 to acquire the UK luxury car maker is rapidly looking like the sting of the century for Jaguar's former shareholders.

Exacerbating Ford of Europe's management discomfort is the sight of General Motors, its arch rival and for long the loss-making laggard in Europe, accelerating past it to a succession of bumper profits.

Ford and GM both sold just over 1.6m cars in western Europe last year. While GM is expected to unveil record net profits for its European operations of about \$2bn for 1991 - dwarfed unfortunately by GM's huge losses in the US - Ford has only red ink to show for its efforts.

The reasons for the crisis that has engulfed Ford in Europe can be found in large part in the UK recession. Urgent emergency roadside repairs are now being carried out at Ford of Britain, but the broader European problems are more deep-seated. Ford of Europe is confronting severe structural challenges as it seeks not only to recover the ground lost to its European rivals, but also to prepare for the Japanese onslaught.

Most immediately it must staunch the haemorrhaging in the UK. Ford of Europe executives, pressed to explain the financial woes, point first to the failure to forecast the depth of the UK recession.

Mr Bill Pike, the aggressive president of Ford of Europe, says bluntly: "The market fell away from us so fast we had excess stocks. Each month the industry was falling away faster than our forecasts."

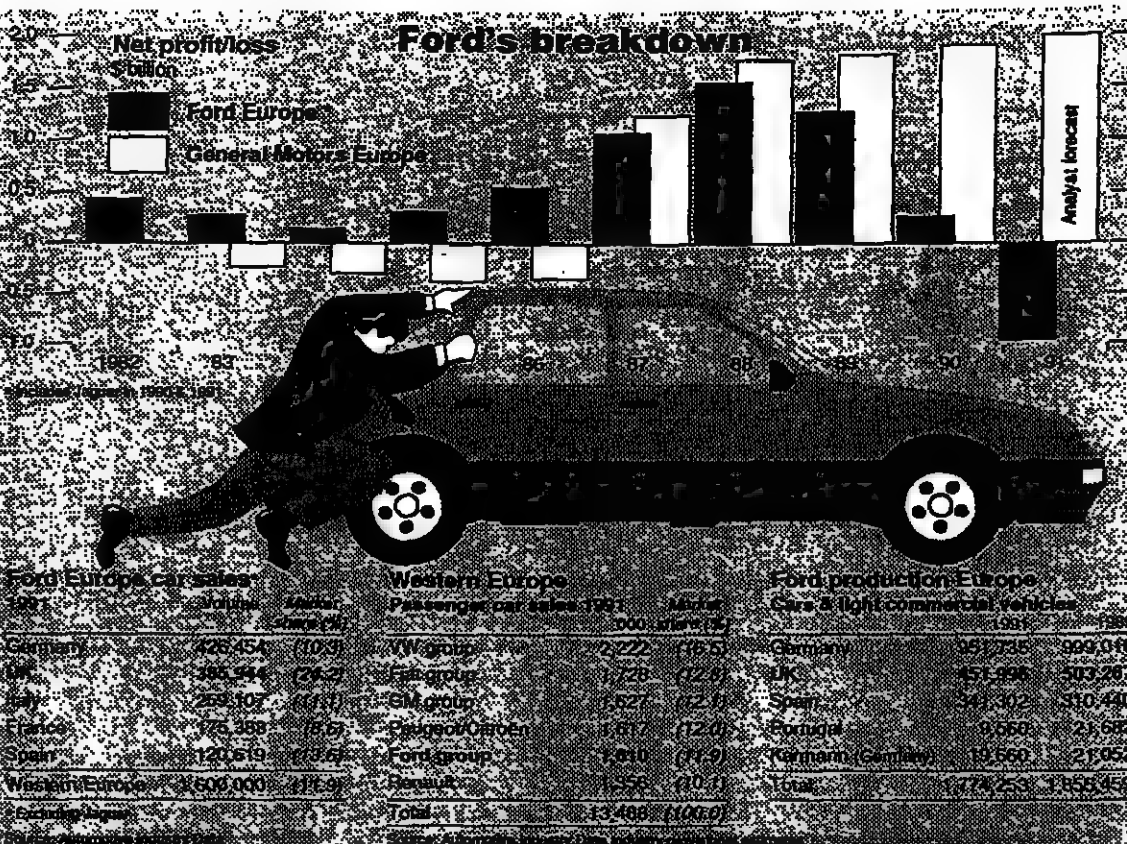
Mr Ian McAllister, Ford of Britain chairman and managing director and another new arrival in Ford's European management blood-letting, said last week: "We were building vehicles for a market that did not exist."

Faced by the task of "liquidating" its bloated stocks, Ford embarked on a ruthlessly expensive price war in the UK last summer. Marketing costs jumped in the UK last year to the shocking level of 34 per cent of revenues from 14 per cent in 1990. These costs range from discounts and low-cost fleet sales to the fleet dealer.

"We need a better balance," said Mr McAllister last month. "We have elected to reduce our volumes (sold) to the daily retail fleets in 1992 rather than just turning over metal. It is not

Ford needs short-term repairs in the UK and a long-term overhaul across Europe to be a survivor in the 1990s, writes Kevin Done

## Winter of despair, spring of hope



economic." Ford of Britain was taking action, "so that we are not lumbering vehicles through dealers into used car fleets," he said.

With the zeal of the newly converted he insisted: "I don't see the point of chasing registrations for the sake of it."

After two years of trailing the recession downwards Mr McAllister insists that the UK operations have touched bottom, although he refuses to indicate when the company might re-emerge into the black.

There is a long way to go, however. Last year, excluding Jaguar, Ford of Britain's traditional operations slid to a pre-tax loss on ordinary activities of £43m from a profit of £28m a year earlier.

As marketing costs escalated, production has had to fall to bring stocks under control. Ford is creating under the burden of fixed costs. The British operations, excluding Jaguar, used only about 70 per cent of their plant capacity last year. The Halewood, Merseyside, Escort/Orion plant suffered 110 "down days" with no output. The Southampton Transit van plant suffered 50 "down days".

Only Dagenham of the three assembly plants escaped such costly production cuts, thanks to its ability to produce left-hand-drive cars for continental Europe. More than 60 per cent of Dagenham's Fiesta production was exported last year.

In a glaring oversight Ford had failed to equip Halewood for left-hand-drive Escort/Orion car production. Trapped in the confines of the UK market it worked a three-day week for

most of 1991, and car output totalled only 127,117 last year compared with 189,904 in 1989. (In 1990 Halewood output was hit by a seven-week strike). Belatedly the mistake has now been made good and car export shipments from Halewood started this month.

The Halewood mistake was exposed by the pattern of new car demand in Europe. While there was famine in the UK, formerly Ford's biggest European market, there was feast in Germany.

The imbalance was exacerbated by

**"We were building vehicles for a market that did not exist"**  
— Ian McAllister, Ford of Britain chairman

a shortage of the right mixture of engines and gearboxes, says Mr Pike. Ford is investing heavily to catch up with its rivals' engine programmes - the first units from its 3.0-litre Zetec engine development programme have started coming off the assembly lines at Bridgend, South Wales - but last year it was left having to push "brown" engines to unwilling customers in Germany because of the lack of "green" engines equipped with catalytic converters.

Ford was left with capacity where it had no sales in the UK, but with demand in Germany which it did not have the capacity to satisfy.

Mr Lindsey Halstead, Ford of

Europe chairman, insists this will improve in 1992, when sales finally begin to pick up in the UK, and as the abnormal demand generated in Germany in the wake of reunification subsides. "That will put us in a better financial position."

For the longer term, the Ford of Europe top management seeks to attack the daunting structural challenge. Last week the message went out from Ford of Europe's Warwick, Essex, headquarters via its private television network to the workforces of nearly 100,000 that the company was "leaving no stone unturned to find ways of improving the international competitiveness of our European operations."

The comforting reassurance of being followed by tough actions. "The battle in Europe has begun - and truly only the fittest will survive," Mr Pike told more than 300 senior Ford managers recently.

In the past year he says \$600m of costs have been taken out of Ford's European operations. For the first time for decades the European workforce is now below 100,000. In 1979 a workforce of 150,000 produced 1.4m vehicles; last year a 100,000 workforce produced 1.8m units.

The screw is being tightened further. Another 2,100 jobs will be cut in the UK alone this year. Layers of senior management are being taken out as Mr Halstead works to flatten the pyramid of the Ford hierarchy and aims to cut indirect salaries staff across Europe by a third.

Mr Halstead believes that part of Ford's current lack of competitiveness

stems from its supplier structure. (Some 50 per cent of the costs of a car are bought in from outside suppliers.) Now the numbers are being cut radically and remaining suppliers will have to shoulder much more of the research and development burden. The number of suppliers has been cut by 15 per cent to 900 since 1988; Ford plans to shrink the total by another 25 per cent by 1995 to 600.

Ford is aiming to achieve a 25 per cent cut in its investment spending by 1997 without reducing the quality of the investment. Involving component suppliers early on in product development, getting designers and engineers to work simultaneously and asking consumers what they want sooner are all considered vital to gain greater investment efficiency.

It is working again towards improved productivity and quality at the UK Dagenham and Halewood vehicle assembly plants, coupled with dire warnings to the workforce of a failure to catch up with Ford's equivalent continental European operations.

"It isn't the facilities that are different, there is not a damn thing wrong with the Halewood facility. It is the way labour is organised and the way labour functions. You have to close the gap (with continental Europe) eventually, or you have to shift capacity because otherwise you will have to say to hell with it," says Mr Halstead.

Ford is seeking to reduce the complexity of its model range. At the same time it has the ultimate ambition of reducing new model development times from the 72 months of the recent past to only 36 months by adopting radically different Japanese-style "heavyweight" project management teams. Under this system each major car product line would become its own mini-business area.

He admits that Ford has been cost-driven rather than customer-driven. At the same time it has been "awfully compartmentalised" with a vertical structure of sales and marketing, manufacturing, product development, finance and human resources all reporting upwards.

Instead Mr Halstead is seeking a horizontal structure with decision-making responsibility pushed down the organisation. "It will take five more years to get where we want to be," he admits. "The Japanese are still the low-cost producers and they have more horizontal structures."

Mr Halstead accepts that Ford is hampered by having its research and development efforts divided between two sites in the UK (Dunton, Essex) and Germany (Merckens, Cologne), but declares that recent speculation that Dunton could be closed is "ludicrous." From 1995 to 1998 he invested £156m at Dunton. Now he says we are going to walk away from that.

Instead the Halstead vision calls for the "co-location" of development teams working on a specific project at a single site. "There is a 10 per cent cost penalty of having two sites. We carry about 250 people more than we need, so we must re-organise to make the two sites stand more alone."

Beyond the radical structural reforms Ford also needs a healthier sales balance in western Europe by cutting its earlier overwhelming dependence on the UK.

For several years it has been plotting a strategy for conquering market share in southern Europe, and its actions are now yielding fruit. It has moved in on Fiat's domestic fleet in Italy and has managed to push its share of the Italian car market to 11.1 per cent last year from 7.7 per cent in 1990 and 4.5 per cent in 1988.

In the midst of its current woes Ford's success in Italy shines as one of the most considerable coups that any car maker has pulled off in the European arena. Fiat has claimed that Ford has simply bought market share, but Mr Halstead insists: "That is wishful thinking. We made money in Italy."

## Pirelli's retreat

Step forward Marco Tronchetti Provera, 44, the new man at the helm of Italy's troubled Pirelli tyres and cables group. Little known outside the company until last December, he moved into the limelight when chairman Leopoldo Pirelli sold an astonished press the takeover bid for German tyre giant Continental had collapsed.

Tronchetti Provera, who, like the 86-year-old Pirelli himself is a substantial shareholder in the company, is thought to have been cool about Conti from the start. His scepticism has now paid off. Although Pirelli, a keen sailor, stressed the need for a firm hand on the tiller while the group was still in troubled waters, it now seems that hand will be Tronchetti Provera's.

The change was not unexpected, although many expected Pirelli would wait until the year later this year before announcing his retirement. As it happens, he will remain non-executive chairman, while Tronchetti Provera takes over the job of executive deputy chairman as well managing director.

Undoubtedly, the move is a blow to generalists, who would have liked to see another Pirelli in charge. As it happens, Leopoldo's son, Alberto, 38, is still on the bridge. But Pirelli-watchers think it may not be long before he too jumps overboard, to return to studying machine biology, which they say is his true love.

## Tory spinners

The opinion polls may show the two main parties in an immovable deadlock. But there is no doubt who is winning the war to catch the ear of political journalists at Westminster. After years during which they were left staring by Labour's slick PR

## OBSERVER

machine, the Conservative spin-doctors have seized the initiative.

The balance has been tilted by the permanent presence in the House of Commons press gallery lobby of Tim Collins, a former adviser to employment secretary Michael Howard. The inextinguishable and well-trimmed Collins is available day and night (including Sundays) to provide a suitable ministerial quote for a "friendly" story or to highlight the latest "gaffe" by a Labour opponent. Meanwhile the Labour side is still suffering from the departure two years ago of the irascible but highly-skilled Peter Mandelson and, more recently, that of his deputy Colin Byrne.

## Free issue

While we may be spared another war in the South Atlantic, there'll be ructions for the poor translator who produced the English version of last week's European Parliament speech by Argentine president Carlos Menem.

The original Spanish had the often-fine-tuned president calling for greater EC-Argentine "interaction free of suspicions and mistrust". The official English translation unfortunately misplaced a word.

Let there be a free interaction of suspicions and mistrust, it read. Ouch.

## Alien practice

The Japanese are noted for exporting their methodical, no-nonsense attitude to manufacturing, but sometimes, it seems, they go a little too far. Journalists



attending the official opening of Toshiba's UK air conditioning factory were surprised to find a prepared list of questions to "assist" them at a press conference after the Duke of Kent had unveiled the plaque and planted the obligatory tree.

An affront to the intelligence of the great British press? Not necessarily. Finding 30 questions to ask about air conditioning on a damp, foggy Friday on the outskirts of Plymouth would have taxed the ingenuity even of Observer's man on the spot. The trade press concurred: "I'll have No. 23," said the first intrepid questioner.

## Rent-a-cop

How much a year does the average London bobby spend on photocopying? Answer: \$464. Another £188 is spent on postage and £227 worth of telephone calls are made, according to the Metropolitan Police's internal costs guide released by the Association of London Authorities.

Chief Superintendents use the reckoner to cost local

budgets and staff allocations for football matches and other public events. The figures give a fascinating insight into police priorities. A police dog costs £20.50 per day (what do they feed them?), but one can get 17 police dogs for the price of a police horse (£349 per day). Police horses are a bit more pricey but you can still get six of them for the price of one constable (£145 per day). More conventional means of transport start at 70p a mile for police motorcycles rising to £2.38p a mile for a police coach.

And the cost of investigating unauthorised leaks of such sensitive information? Alas...

## Protest

It has taken Britain's wider share ownership gang such an awfully long time to relax itself that it should have been able to think up a more catchy title than Protest.

The search for a new name and logo has been "a bit like establishing Brand X or Dex," says one insider. "We have got to establish an image and get people identifying the services they want with that image." Dave Rogerson, no less, has been helping with the image building and on Thursday all will be revealed at a giddy press conference. Is Proshare any relation to Proton, the non-executive directors pressure group?

## Fast food

"Once we're geared up," said a Yellin aide enthusing about his country's potential, "within 10 years 80 per cent of Muscovites could have their own private jet."

"But what would they want one for?" asked a westerner.

"Well," came the reply, "Supposing they heard there were potatoes in St Petersburg, they'd be able to get there quick."

## FT CONFERENCE 17 FEBRUARY 1992

## INTERNATIONAL BANKING

London, 23 &amp; 24 February

A distinguished panel of central, commercial and investment bankers from Europe, North America, the Middle East and Japan will review the outlook for the international banking industry. Speakers include: Mr Hiroshi Manabe, The Bank of Tokyo; Dr Rik Hoffinger, Deutsche Nationalbank; Mr Jean-François Lapelle, Banque Indosuez; and Dr Hans-Martin Lipp, Dresdner Bank.

## ESTABLISHING A PRESENCE IN JAPAN

London, 4 March

The Hon Peter Lilley, MP will give the opening address at this one-day conference, arranged in association with Priority Japan. The strategic and practical aspects of doing business in Japan will be covered, with presentations by Mr Michael Perry, Chairman, Sir David Scholey, SOI Watanabe Group; Dr John Randall, KCI Japan; Mr Takanori Shibata, The Japan Development Bank; and Dr Peter Williams, Oxford Instruments.

## WORLD PHARMACEUTICALS

London, 16 &amp; 17 March

This topical programme, arranged in association with Corgan & Lybrand, will focus on how pharmaceutical manufacturers are globalising their operations and operations in response to the demands of a changing marketplace. Speakers include: Mr Robert Lippman of CIBA-GEIGY; Mr James Wilson of Syntex; Dr Azim Khandani of P&G; Dr Rik Hoffinger, Deutsche Nationalbank; Mr Jean-François Lapelle, Banque Indosuez; and Dr Hans-Martin Lipp, Dresdner Bank.

## MANAGING FINANCIAL RISKS

London, 20 &amp; 21 March

The workshop is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management. It combines comprehensive technical information presented with an interactive format, case studies and worked examples.

## FT-CITY COURSE

London, 6 April - 26 May

This course is designed for employees in companies with interests in the City to provide a broader understanding of all aspects of the operations of the City of London and the factors that make it a pre-eminent financial and trading centre.

## INTERNATIONAL SECURITIES MARKETS: LIMITING MARKET RISK

London, 12 &amp; 13 May

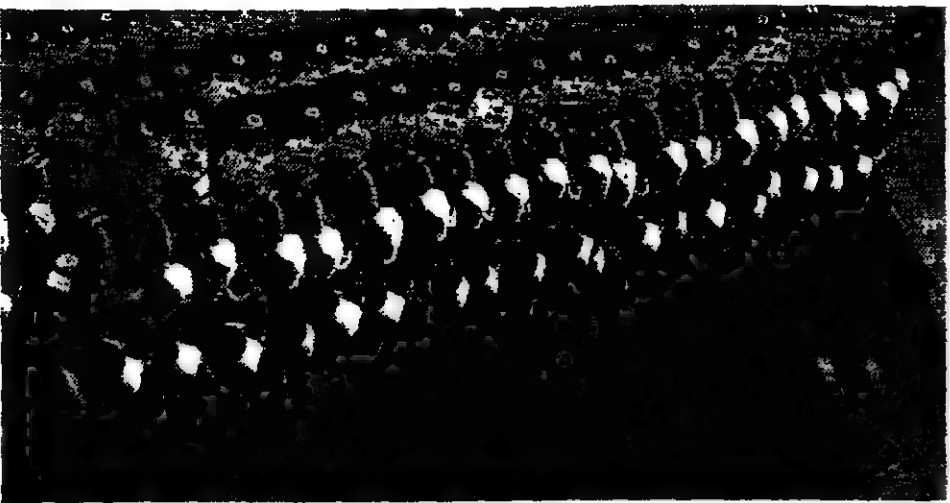
This high-level conference will focus on the multi-lateral attempts to limit market risk, and will provide a broad international perspective of market activities, how the markets are developing and the management issues of assessing and controlling risk. Speakers include: Martin Vile of the Securities and Investments Board; Jean Seidman, Chief of the Commission des Opérations de Bourse, Crouffier Finance of the Commission of the European Communities; Peter Kent of the Bank of England; Dr Tom Roberts of Citicorp; and Jonathan Davis of BZW Equities.

All enquiries should be addressed to: Financial Times Conference Organisation, 126 Ropemaker House, London EC2Y 9EX. Tel: 071-925 2202 (24-hour answering service). Telex: 27347 FTCONF G. Fax: 071-925 2125



## A further step towards separatism

The Minsk meeting on the future of the CIS was disunity disguised as co-operation, says John Lloyd



United forces, formerly Soviet and Commonwealth, are inexorably disintegrating

On Saturday, the day after the meeting in Minsk of the heads of state of the Commonwealth of Independent States - a meeting described by the presidents who gave public statements afterwards as "talking co-operation to a higher level" - Russian news agencies reported that "patriotic forces" had met in the city of Nizhny Novgorod to establish a Russian-only organisation to "defend the Russian people".

They also reported that other organisations had met in the same city to hear Mr Gavril Popov, mayor of Moscow, say that the Commonwealth had no future; that the commander of a battalion in Sevastopol was removed from his post by the commander of the Black Sea Fleet for taking an oath of allegiance to Ukraine; that the fighting between Armenians and Azeris in Nagorno Karabakh grew fiercer; and that the president of Azerbaijan, Mr Ayaz Mutalibov - who had left the "constructive" meeting in Minsk early because of the worsening situation in the region - was appointed leader of the self-defence forces in Karabakh.

The facts of daily life in the CIS render hollow the declarations of Minsk, as they have all other declarations of the two-and-a-half-months-old body. And though Mr Stanislav Shushkevich, the chairman of the Belarus parliament and the host at the Minsk summit last Friday, bravely tried on Saturday to persuade the delegates that the CIS is the structure without which we will never survive, the fact is that soon it will be the survival of the structure itself which will be at stake.

All judgments on the proceedings of the CIS should be preceded by the warning: "as far as can be told". That is because the information put out after the meetings is confused, rhetorical, accompanied by no written declaration or summary of the agreements reached, and with no explanation of what the aims of the meeting were, and how far they were realised.

Within these strict limitations, what seems to have happened at Minsk last Friday was this.

All 11 members of the CIS (the three Baltic states and Georgia - in Minsk as an observer - are not members), from the former Union's 15 states agreed to remain under a unified strategic nuclear command.

Three of the 11 - Azerbaijan, Moldova and Ukraine - have ceased to pretend that they will take part in a unified CIS army, and will continue to form their own armies. Two states - Belarus and Uzbeki-

stan - will get out of the CIS united forces as soon as they can. Those left in the unified command for a "transitional period" of two years are Russia, Armenia, Kazakhstan, Kirghizia, Tajikistan and Turkmenistan. The last five are very poor, and getting poorer. They are desperate to hang on to what Russia can offer them in the way of cheaper resources and (especially in the case of Armenia) protection.

The rest was window dressing or technical. There were some 30 agreements on issues such as economics, energy and transportation links and on the army being able to draw its supplies from all participating republics. Officers are to be given guarantees about their ranks within national or unified forces and assurances about housing and wages.

Both what has and what has not been agreed leave vast questions which go to the very root of the Commonwealth - and, more important, to the nature of the independent states themselves. The problems which have arisen from the collapse of the Soviet Union, many of world importance, are so vast and require such courageous and consistent work on their solution that it is no wonder that leaders shrink from them, sign agree-

ments which cannot be honoured and put off until the next meeting (as they have done at every meeting so far) issues which they cannot face resolving. According to those present, the proceedings in Minsk lacked structure and preparation and documents which were barely understood were nonetheless signed.

Foremost among the outstanding questions, certainly as far as the world at large is concerned, is the nuclear issue. Though the states have preserved a common line, it remains unclear what their new strategic doctrine is, or rather, it is clear that such a doctrine does not yet exist.

Any doctrine which did emerge would have to make clear whether the nuclear force protected only the four states which hold the strategic weapons or the entire Commonwealth. Since the weapons are no longer to be targeted on the Nato countries - as Mr Yeltsin has said - new priorities would need to be set. (This is also a matter which, in reverse, the west must resolve for its own nuclear force.)

It is by no means certain that the member states of the CIS nuclear alliance will always have the same defence interests, particularly now that the Central Asian states are developing links with coun-

tries such as Iran, which may not in future be allies of Russia. By the end of two years, if the statements of Belarus, Kazakhstan and Ukraine are carried through, only Russia will possess nuclear arms of any kind. Any state renouncing weapons would have to be very sure that a nuclear neighbour on its border would not one day dispute it.

More immediately urgent are the effects of the Minsk settlement in the sphere of conventional weapons. Before Mr Yeltsin apparently agreed to form a common defence force with the five other republics, opinion among Russia's parliamentarians, and many of its senior military people, was that Russia must form its own army in order to stop the breakdown in morale and coherence with which the "united" force is now faced. Mr Yeltsin was said to be ready to sign a decree on the creation of a separate army; he is now to back away.

After all, what has been agreed is that there should be unity for a two-year period of transition, presumably leading to separate armies. It is difficult to see how and why the instruments for a united force should be forged in a short period during which, simultaneously, the member states will also wish to make prepara-

tions for individual forces.

Even if such a united force can be maintained, there now must be a negotiation (put off to the next CIS summit meeting in Kiev on March 20) on the division of army property to allow those who are leaving to have a basis for their separate forces. This will be highly contentious, especially since Ukraine has a disproportionately large share of tanks and advanced weaponry - a legacy of its forward position in the defence of the former union.

The question of the Black Sea Fleet remains to be settled, largely between Russia and the Ukraine, but necessarily within the context of the Commonwealth since the fleet is formally Commonwealth property. Remarkably, though this has been the main point at issue between Russia and Ukraine for over a month, neither of their presidents - according to Mr Leonid Kravchuk, the Ukrainian president - raised it.

The underlying question is the crux: can they trust each other? Territorial questions are everywhere being raised, and are paralleled in the national legislatures, much of whose rhetoric is increasingly belittled, as the old pretences of comradeship are stripped away. Economic crisis envelops them all, with no relief in sight. It would be strange if populism and chauvinism did not take root and grow.

Mr Shushkevich was right to say in Minsk on Saturday that the states had better hang together than hang apart, for they are all in desperate straits. Some of the agreements, on the joint maintenance of transportation and energy links are encouraging. But a further protocol agreed to divide the assets of the former state bank, Gosbank, between them - assets which were in part its republican branches and which have any way already become the central banks of the new states. Russia monopolises the supply of money and credit, and has laid claim to the gold. What was needed to continue the operation of a common currency zone was a banking union - but it seems this is no longer even to be attempted.

Minsk, in short, was a further step towards separatism: disintegration badly dressed up to look like co-operation. The Commonwealth has no independent existence or authority. It has only a tiny secretariat and is able to do nothing between brief and ill-prepared meetings. It may be that the former Soviet states will realise that they must co-operate and create a vehicle for doing so. But that moment has not yet come, and is not in view.

Samuel Brittan

## Right way to reform the CAP 'reform'



There is something priggish about the claims of British ministers to be more liberal and more free-market than any of their opposite numbers in the European Community although that would not be difficult.

Scepticism is amply justified by the British government's reaction to the MacSharry plan for reforming the Common Agricultural Policy (CAP). The plan is a remarkable attempt by the EC's agriculture commissioner, Mr Ray MacSharry, to decouple payments to farmers from agricultural prices, and thereby to furnish some support for farmers without having to rig the structure of world food markets.

The direction of the MacSharry plan - towards transparency and away from market rigging - is surely one that nearly all gradualist reformers have advocated. Indeed, the commissioner will have his work cut out getting his ideas through meetings of ministers beholden to the farm lobby.

If he is entitled to support from any government, it is surely the British, which has far and away the smallest proportion of its citizens working on the soil. Yet as recently as last Wednesday, February 12, Mr John Gummer, the British agriculture minister, was pouring cold water on the proposals at - you will never guess - the annual general meeting of the National Farmers Union.

I might as well state - before he dictates a letter to the *Financial Times* - that Mr Gummer's complaint is that income payments will be biased towards the low income farmers, and away from the more prosperous and efficient ones who predominate in British agriculture, and who are influential beyond their numbers among the *shire Tories*. It would surely be best to welcome the MacSharry proposals and concentrate on the distribution of income support.

The MacSharry proposals do, however, need a different kind of reform. To see why, recall the deficiency payments which

were used to support British agriculture before the UK joined the Community in 1973.

The system was less bad than the CAP, because:

- the cost was obvious to the taxpayer, and thus self-limiting, and
- the British consumer paid for imports at world market prices rather than at prices rigged by import levies and the like. Even then, superficial minds argued that the cost of the policy could be reduced by shifting the burden from the taxpayer to the consumer by higher prices - an error known as *faecal illusion*.

The real problem of the old British system was different. It was that, as deficiency payments were tied to agricultural proceeds, farmers were given wrong signals about market clearing prices.

The exact basis for income payments to farmers is a matter of political haggling to which elementary economics can contribute little. But it can contribute something to the question of whether to tie the payments to the farm or the individual farmers. The Tangemann proposal is to make the payments to existing farmers for a period of, say, 15 years, but to allow the rights to them to be bought and sold.

The accompanying IEA publicity talks about farmers being given lump sum compensation, for instance bonds which might be worth £150,000 for a farm of 240 acres. This is slightly misleading, and could put off finance ministers, whose budgets are based on primitive cash flow concepts. The bonds arise from making the MacSharry payments transferable. All that governments need do is to legalise a market.

It is easy to show that the worldwide race to protect farmers is self-defeating, and any benefits go not to working farmers, but to landowners. The land lobby is influential partly because economy-watchers, from finance ministers to economic journalists, are too busy to look more than occasionally at the intricate details of this one particular sector, and fear to trip up over the details. Yet ending the scandal of the CAP could make far more difference to economic welfare than the difference between the worst and the best conceivable annual government budget in Britain, and other Community countries.

\* Lord North Street, London.

## LETTERS

### Accountants' virtues finally recognised

From Mr Ian R McNeil.  
Sir, Chartered accountants owe Michael Dixon one (Jobs Column, February 12). At last someone has recognised their inestimable virtues. If I didn't have such a high regard for the ethics and integrity of journalists, I would send him a bottle of something fizzy: I am sure he would appreciate vintage Tizer.

I found it striking to see the degree of overlap between the attributes which the researches found in chartered accountants and those which, I hope, Royal Air Force recruiters are looking for. Calm, even-tempered, inclined to plan ahead, reliable, not impulsive. These are exactly the characteristics which I would pray for in someone flying fast jets in low-level training over my house.

In the letters column of a less serious newspaper than yours, Michael Dixon's story could be the spark for a long series of accountant jokes. I am sure you won't allow that to happen. Just in case, we have all heard the one about the difference between accountants and actuaries, and the one about the accountant advising a man landing by balloon!

Ian R McNeil,  
president,  
Institute of  
Chartered Accountants,  
Chartered Accountants' Hall,  
Moorgate Place,  
London EC2

### US stance on shipping ignores spirit of Gatt

From Mr Efthimios Christodoulou.  
Sir, I read with interest Frances Williams's report, "EC farm stance seen as biggest threat to Gatt talks" (January 14).

I must note, however, that apart from the well-known problems with agriculture, there are, also, difficulties in other sectors of the negotiations. The attitude of the US with regard to maritime transport is one of great concern to my country, for which are not to be included in the framework of the agreement under negotiation, then the exemption of maritime transport from the Uruguay Round altogether is preferable.

At least, in this case, no more restrictions than those existing on shipping as a result of its "liberalisation".

Effthimios Christodoulou,  
Minister of National Economy,  
Athens

### Ideas for all strands of opinion

From Mr Graham Mather.  
Sir, It is unfortunate that your columnist, Joe Rogaly (February 14) said "the IFFB Labour's think-tank in the same way as the Centre for Policy Studies, the Institute of Economic Affairs and the Adam Smith Institute are the Conservatives".

The IEA is independent and puts out ideas which anyone - Conservative, Labour, Liberal

negotiations and cannot be considered as helpful.

Maritime transport is a sector already liberalised to a great extent. It is then hardly conceivable that, as a result of the Uruguay Round, more restrictions than those existing at the beginning of the negotiations would be imposed on shipping.

If the right of bilateral MFN agreements is to be preserved, and if an effective standstill and a gradual and progressive liberalisation of the sector are to be achieved, it is difficult to see how and why the instruments for a united force should be forged in a short period during which, simultaneously, the member states will also wish to make prepara-

Democrat or whoever - is welcome to pick up. If Joe Rogaly will look around next time he is here, he is very likely to see evidence that our academic, opinion-forming and policy-making guests come from all strands of political opinion.

Graham Mather,  
general director,  
Institute of Economic Affairs,  
1 Lord North Street,  
London SW1P 3LB

### Constraint on teachers' pay

From Mr Maryn Lloyd.  
Sir, Your leader, "Fair pay for teachers" (February 11), addresses only one part of the equation in offering competitive salaries to teachers. The main constraint in accommodating an increase of between 5.5 per cent and 8.5 per cent is not the financial resources available to a particular school.

Under the local management of schools (LMS) system, individual schools are funded by a "unit of resource" based on the number of pupils on the roll. In recent years, this has failed to keep in line with the teachers' pay awards, with the consequence that school budgets - delegated to individual schools - are inadequate.

In attempting to come to terms with these budgets schools either have to reduce staff levels or accept a degree of deficit budgeting.

As a result of this pay increase, we surely will be expecting to see more of the practice witnessed in Dorking where parents have been asked to contribute £20 a head to meet the wage bill.

Maryn Lloyd,  
Dorchester Road,  
Burydon,  
Oxfordshire,  
Surrey GU1 1YY

Fax service  
LETTERS may be faxed on 01-555 5555.  
They should be clearly typed and double-spaced. Please allow 10 minutes for the revision.

### Towards a 'level playing field' in trade and the environment

From Mr Barry Coates.

Sir, I was pleasantly surprised to see your extensive coverage of trade and the environment (February 12). It seems at last that there is a recognition that trade and environment issues are inextricably linked.

However, I felt that the discussion, both in the General Agreement on Tariffs and Trade report and the article, did not adequately address the central issue - that the rules should be great producers fairly, and create the much sought after "level playing field". An important element in fair trade is that producers should not be able to "dump" their products at prices that are below cost.

Those costs must include the use of environmental services - for example, using nature as a sink (as in waste disposal). If companies do not pay for those services, they are trading unfairly. This is the crucial point that the Gatt report does not address. Under current rules of trade, Gatt allows nations to impose countervailing duties for dumping covering most costs, but does not extend this to environmental dumping. In fact, the rules explicitly do not allow differential treatment of traded products on the basis of their production method.

This leads to environmentally destructive competition and low commodity prices. For

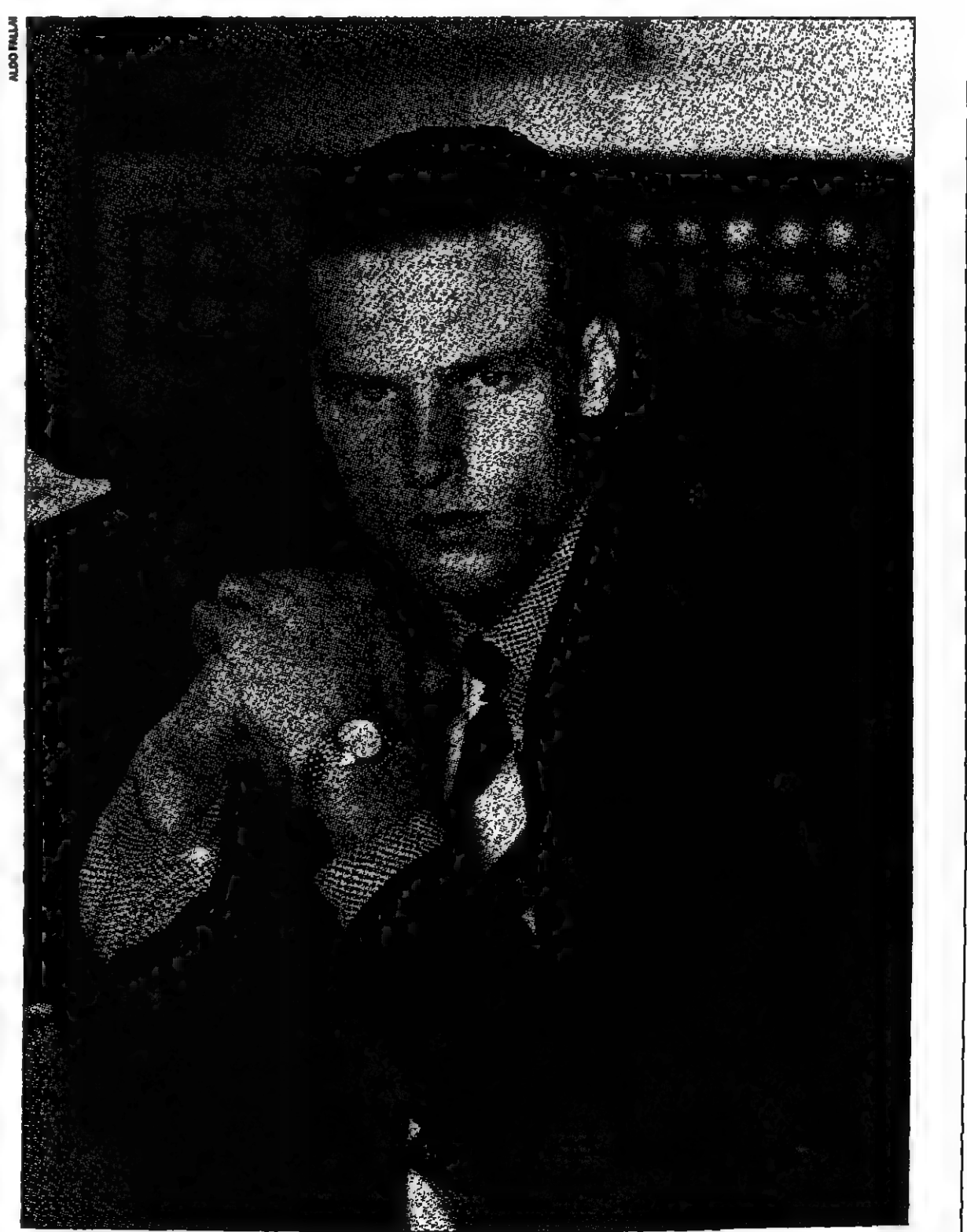
example, timber producers have no incentive to spend money on long-term forest management when their competitors are not required to do so. The result is forest damage, and, in the long run, possible desertification. National action alone is not sufficient; a change in international trade rules is required.

I agree with Gatt that national policies should be the main mechanism to establish environmental policies, but it must be recognised that Gatt needs to play a role in setting up the framework for fair trade between nations. Otherwise, there will be a transfer of polluting industries to developing countries, as suggested in a recent memorandum from the

World Bank's chief economist.

This is not a rapidly protectionist view. Most environmentalists favour the reform of trade rules in the area of agriculture, for example, but, unlike Gatt, we regard sustainable development as the objective, rather than trade liberalisation itself. It is to be hoped that the nations that determine Gatt's rules, including the UK, are also working towards those objectives. We look forward to their support for the long-awaited reform of our international trading system at the Earth Summit discussions in June.

Barry Coates,  
head of development policy,  
World Wide Fund for Nature  
Godalming, Surrey



GIORGIO ARMANI

178, Sloane Street, London







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# FINANCIAL TIMES COMPANIES & MARKETS

Monday February 17 1992

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**INSIDE**  
**Leopoldo Pirelli gives up executive power**  
Mr Leopoldo Pirelli, 66, chairman of Pirelli, the loss-making Italian cables and tyres concern, is giving up executive powers in the company established by his grandfather 120 years ago. The termination of direct Pirelli family control over the company ends an era in Italian family capitalism. Page 16

**Fried. Krupp to float**  
Shares in Fried. Krupp, the German steel and engineering group, are to be traded on the open stock market this summer for the first time in the company's 181-year history. The group's supervisory board decided on Saturday to convert the group into a public limited company. Page 17

**Politicians turn on the taps**  
From the continent of Europe, the general election campaign in Britain takes the appearance of a world of mad electoral plumbing. One party proposes to install a pipe at the higher tax bracket and connect it to the family allowances lower down. Another promises to disconnect the filter on National Insurance contributions and lay a pipeline across to the National Health Service. A third, with a T-joint at the petrol tax, would make a diversion into road building. The performance is absurd and, worse, out of date. Back Page

**Busy time for telecoms M&A**  
Telecommunications was a busy sector for international merger and acquisition activity last week. Telefonica de Espana's purchase of 80 per cent of Telefonica Larga Distancia, the Commonwealth of Puerto Rico-owned long distance carrier, consolidates its position in Latin America at a time of intensifying competition among global long-distance carriers. Page 18

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## French approve Nestlé bid for Perrier

By Haig Simonian in Milan  
THE French government has approved the offer by Nestlé, the Swiss foods concern, to buy Perrier, the French mineral water group currently being courted by Italy's Agnelli family.  
Approval from the French finance ministry for the FF13.42bn (\$2.45bn) bid being mounted by Nestlé and its French ally, the Indesme bank group, is a fresh setback for the Agnelli family as it removes one of the obstacles to a takeover battle for Perrier on the stock market.  
The French bourse authorities, which have already given the offer the green light, can now open the bidding period during which Perrier stockholders can accept Nestlé's FF1.475 a share offer price. Bourse authorities were expected to move quickly to open the bidding period, which usually lasts around a month.  
Since they resumed trading last Monday, Perrier shares have climbed far above the FF1.475 a share offer by Nestlé and Indesme, leading to the view that the group will need to raise the offer to win control of the company. Speculation has been fuelled by the disclosure that Arab Banking Corporation, the Bahrain-based bank, now has 1.4 per cent of Perrier. Although the government's decision is a step in Nestlé's favour, the battle is by no means over.  
Attention this week will shift to the courts. The key issue is whether the French commercial courts will accept Nestlé's attempt to annul the purchase of a crucial 13.8 per cent of Perrier by Saint Louis, a French foods group allied with the Agnelli family.  
The uncertainty may explain the olive branch extended to the Agnelli family on Saturday by Mr Gerard Worms, the chairman of Indesme's parent, Cie de Suez. In an Italian newspaper interview, Mr Worms said: "There is still considerable opportunity for a negotiated solution."  
He called on the Agnelli family to clarify their strategy in France. "I sometimes feel they themselves don't really know." However, he maintained an accord between the warring parties was still possible.  
The French government became involved with the Nestlé bid, launched on January 20, as it stemmed from a company from outside the European Community to buy more than 30 per cent of a French concern.  
Finance ministry approval had been expected, in spite of some opposition to Nestlé from within the government.

## Robert Peston looks at the troubles of National Westminster Bank

# A giant humbled by its bad debts

One of the big English banks is proud of its financial results for 1991, which they all are about to disclose, starting with Lloyds on Friday. But the humiliation of reporting sharply lower profits - or possibly even losses - is likely to be felt most keenly by National Westminster Bank, for much of the 1980s the biggest UK bank on most measures but now with a market value less than that of Barclays and Lloyds.  
The seeds of decline had been planted by the time Lord Alexander became chairman at the end of 1989. But when interviewed earlier this month he refused to blame his predecessors: "I am not prepared to judge the past."  
Seated at his "lucky desk" - which he has transported from job to job since his days as a leading barrister - he was alert to stop himself making any statement that could be construed as a profit forecast. As a former chairman of the Takeover Panel, he was particularly keen not to be reprimanded by the London Stock Exchange for disclosure of price-sensitive information.  
His anxiety was probably misplaced. It has been an open secret in the City of London for months that National Westminster's results will be very bad indeed. The figures seem unimportant: the downward trend will be so pronounced that only four years ago, in 1988, NatWest made bigger profits - of £1.4bn (\$2.53bn) before tax - than any UK bank had ever done before or has since. But two lacklustre years followed. Profits were depressed in 1989 by provisions against possible losses on loans to less developed countries and in 1990 by an increase in UK loan losses. Last year however the bad debt charge was so big - an estimated £1.5bn from its UK lending alone - that the bank is thought by some analysts to have made a small loss.  
In NatWest's defence, all UK banks suffered in 1991 from unprecedented levels of bad debts on their exposure to British companies and individuals. As the biggest lender to small and medium size companies NatWest was bound to be hit hard.  
"This is the bottom-line judgment of the boom years of the 1980s", Lord Alexander said. Though NatWest cannot absolve itself of blame for the bad debts, he said that another measure of performance is NatWest's operating profit before bad debt charges, which in the first half of the year grew by 16 per cent, faster than both Barclays' and Lloyds'.  
However, other comparisons with Lloyds show a different picture. At the end of June, NatWest had total assets of £128bn. Lloyds' assets were less than half that at £54bn. Yet brokers believe Lloyds made more than \$200m in pre-tax profits during 1991, a modest increase on the previous year's outcome.  
These analysts also expect Lloyds to make pre-tax profits greater than £700m in 1992, compared with around £250m for NatWest. In other words, Lloyds appears to be on course to make much bigger profits than NatWest in three successive years.  
This performance has also been reflected in the share prices of both banks. Since the beginning of 1988, Lloyds' share price has more than doubled, while NatWest's price is no higher than four years ago. As a result, Lloyds' stock market value - which is close to £55bn - is \$200m greater than NatWest's.  
Lord Alexander plays down the humiliation of slipping behind Lloyds. "We are not saying we

### Forecast of UK bank performance

|                    | Pre-tax profit (loss) |      | Net dividend    |      |
|--------------------|-----------------------|------|-----------------|------|
|                    | £ million             |      | Pence per share |      |
|                    | 1991                  | 1990 | 1991            | 1990 |
|                    | net                   | net  | net             | net  |
| Abbey National     | 225                   | 582  | 10.8            | 9.5  |
| Barclays           | 70                    | 700  | 21.1            | 21.1 |
| Lloyds             | 290                   | 591  | 16.3            | 15.3 |
| Mickland           | 135                   | 51   | 1.7             | 0.0  |
| NatWest            | 201                   | 504  | 17.5            | 17.5 |
| Standard Chartered | 20                    | 150  | 20.0            | 20.0 |



position where "it can be profitable in 1992".  
A management reshuffle has accompanied the structural change. "We need to keep a balance between the 'grey hairs' - good solid bankers in their fifties - and the younger generation with different management skills," he said.  
Thus Mr Derek Wanless has been appointed as a deputy group chief executive with responsibility for NatWest Markets. At the age of 44, he is seen within NatWest as a high-flier and possible successor to group chief executive Mr Tom Frost, due to retire in August next year.  
Whether Mr Wanless becomes chief executive so soon probably depends on the performance over the coming months of Mr John Tugwell - seen as the other contender for the top job - who took charge of NatWest Bancorp in April when losses from these US operations seemed to be escalating out of control.  
NatWest executives say they are delighted by Mr Tugwell's

## Day rules out BAe top level reshuffle

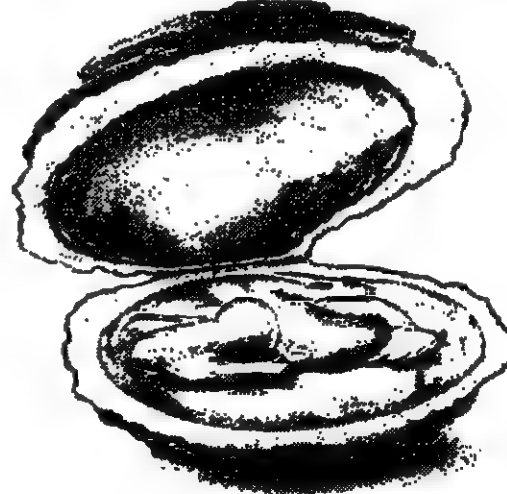
By Paul Betts in London  
THE appointment of a new chairman at British Aerospace, the UK's biggest engineering company, is not expected to lead to any significant top management reshuffle.  
Sir Graham Day, BAe's interim chairman, said at the weekend that the company's search for a new chairman was "on target" and that the position would be filled by someone who would be expected to work as part of the defence, aerospace, car and property group's existing executive management team.  
"We are not looking for someone to come into the company with a fresh look but to join and work with the existing team," he emphasised.  
Sir Graham made a strong defence of Mr Dick Evans, the company's chief executive. Mr Evans is playing a central role in the selection and interviews of potential candidates for the chairmanship.  
Some of BAe's critics in the City believe that further top management changes will be needed if the company is to restore its credibility with investors following its mishandled rights issue last autumn.  
Sir Graham has been irritated by recent speculation that the search for a new chairman was proving difficult. "We have made no offers and no one has turned any offer down," he said.  
BAe, which is due to report its preliminary results for the year ended December 1991 on Wednesday, is still hoping to announce the appointment of a new chairman in May to coincide with the company's annual meeting. Sir Graham said a short list of less than five candidates had now been drawn up. The company had also started the first interviews of potential candidates.  
While declining to disclose any names on the short list, he said BAe was looking for a candidate who was British and came from a large company with international experience. Not all the candidates were based in the UK but all were British because of the difficulties of appointing a foreign national at the top of a company with such wide-ranging defence activities as BAe.  
Candidates would be meeting BAe's top management team, including Mr Evans, to get a feel for the management they would be working with, Sir Graham explained.  
He added that Mr Evans and Mr George Simpson, the new deputy chief executive, had the BAe board's "full support".

## Growing pressure on state finances gives a headache

the-envelope calculations that the PSBR could leap to around £24bn or 4 per cent of GDP next year.  
Many economists would argue that the markets are right not to worry, and that a balanced budget is just mumbo-jumbo. In the mid-1980s, the appropriate size of the PSBR was a subject of long and earnest debate in the Treasury and among outside economists. But despite employing some of Britain's best economic brains - including Mr Alan Budd, now the government's chief economic adviser - the issue came nowhere near a clear

## Wace gives DTI its file on share dealing

By Browne Maddox in London  
WACE GROUP, the UK investment group, has passed the Department of Trade and Industry a dossier on 13 people who bought more than 3.7m shares (about 9 per cent of the shares in issue) in Parkway Group in the months before Wace bid for it.  
Six of the group, who bought more than 750,000 shares, are relatives of Mr John Clegg, Wace's chief executive who stepped down suddenly three weeks ago.  
Barclays de Zoete Wadd, Wace's stockbrokers, were aware only of the purchase of 75,000 shares of this total when they handled the takeover, but they received written assurances from Mr Clegg that he was unaware of his relatives' share dealing.  
Parkway's share register, obtained by the Financial Times, reveals that Mr Clegg's relatives shared addresses in north London with other people who bought Parkway shares heavily in the months before the bid on August 1, 1990.  
Wace's internal investigation has uncovered a pattern of purchases of nearly 2m shares registered at two addresses in Hendon, north London, Belfast, and the Anglo-Irish Bank in Dublin.  
Mr Clegg was a director of Anglo-Irish Bank but resigned at the same time of leaving the Wace board.  
The inquiry will also question why two nominee companies in the Channel Islands and Haywards Heath, Sussex, bought 400,000 shares in the months before the bid.  
The DTI is now investigating whether there was insider dealing in Parkway shares.



## Opening up the money markets

UK Money Focus is a new service from Reuters providing comprehensive prices, analysis and news on the UK's money markets and currencies.  
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**Economics Notebook**  
By Peter Norman  
conclusion. The upshot, according to Mr Peter Spencer, then a Treasury economist and now chief UK economist for Shearson Lehman Brothers, is that there is simply no objective guide to the right level of government borrowing.  
However, the UK experience has not prevented European Community leaders adopting specific borrowing limits among the criteria to determine whether an EC member state will be eligible for moving to the third and final stage of economic and monetary union around the end of this decade.  
The Maastricht agreement states that government deficits must be either at or near 3 per cent of GDP and that a country's ratio of debt to GDP must not exceed 60 per cent for a country to move to EMU.  
According to officials who helped prepare the treaty,



## COMPANIES AND FINANCE

## Hibernia work capped while investors sought

By Bernard Simon in Toronto

THE THREE remaining partners in the Hibernia oil project off the coast of Newfoundland have put a brake on construction work while they seek new investors for the C\$5.2bn (\$2.48bn) venture.

The move followed the decision by Gulf Canada Resources to abandon its 25 per cent stake in the project, Gulf, controlled by Olympia & York Developments, developers of the Canary Wharf in London, said last month that it needed to conserve resources for higher priorities.

The field was originally expected to produce 110,000 barrels of oil a day by 1996, but the slowdown will delay completion until 1997 at the earliest. The federal and Newfoundland governments are contributing about half the cost of the project, but Hibernia's long-term viability depends on an increase in oil prices.

The remaining shareholders, Mobil Canada, Chevron Resources Canada and Petro-Canada, said no new contracts would be signed from this week and most work already under way would be slowed down. Work on the concrete gravity base for the production platform would be stopped immediately.

The slowdown will affect Canadian as well as foreign suppliers. Wimpey is among the companies which have been told to halt work. About 70 jobs will also be lost at a design office in Paris.

The three remaining partners have appointed Goldman Sachs and Wood Gundy to find a replacement for Gulf. However, Petro-Canada has also indicated that it would like to reduce its stake.

## Receiver in last ditch effort to fly Compass

By Bruce Jacques in Sydney

THE receiver of Compass, the failed Australian domestic airline, Mr Ian Ferrier, announced what appeared to be a last ditch effort to get the company flying again.

Mr Ferrier told a Sydney press conference that another fledgling local airline, Southern Cross, was negotiating to take a 75 per cent stake in Compass and inject about A\$60m (\$25m). He has given Southern Cross two weeks to cement a deal.

The airline crashed into receivership late last year, stranding about 125,000 holiday season ticket holders. Mr Ferrier has estimated Compass is facing a A\$171m deficiency in funds if it is liquidated and a A\$45.2m deficiency as a going concern.

The difference largely reflects the company's liability to ticket holders and aircraft lessors.

## Ciments Français falls 59%

By Alice Rawsthorn in Paris

CIMENTIS Français, the French cement producer which is one of the world's largest cement groups, announced profits for 1991 down by 59 per cent to FF440m (\$40.94m) against FF900m in 1990.

News of the profits fall comes at a turbulent time for the French construction industry, which has been badly

affected by the slowdown in the economy. It follows shortly after last week's announcement of an agreed FF4.6bn takeover bid by the Fougereille building group for Société Auxilière d'Entreprises (SAE).

Despite the slowdown Cimentis Français did manage to increase sales by 6.5 per cent to FF16.5bn in 1991.

## Chelsfield plans to go public

By Michio Nakamoto

CHELSFIELD, the private property group headed by Mr Elliott Bernard, is planning to go public within four to six months either through a flotation or a reverse takeover of a quoted company.

The plans to seek a listing on the stock market emerged as speculation spread in the City about the financial well-being of the group.

The speculation centred on the demerger of Pall Mall, the joint venture vehicle for the assets of Laing Properties, which Chelsfield acquired with P&O for £492m in April 1990.

This will require an injection of £250m into the joint venture from which it will acquire half the UK assets and a 50 per cent stake in the US assets, Mr Bernard said. The Canadian properties will be acquired by P&O.

Mr Bernard confirmed that Chelsfield has already made arrangements to satisfy the cash injection through senior lending with banks of between £100m to £120m, a further £50m to £60m of loan stock with equity rights and the remainder coming from an equity placing.

Mr Bernard also confirmed that the demerger of Pall Mall would be conditional on the repayment of a £340m non-recourse loan made to the joint venture.

Following the placing, Chelsfield will have £260m of gross assets, £120m of senior debt and £50m of subordinated loan stock. Gearing would be at about 33 per cent, excluding the loan stock.

Mr Bernard, who will retain about 50 per cent of the enlarged share capital, said that the preferred route for the company is going public was through a reverse takeover.

There were "a good half a dozen situations" among listed property companies that have lost their way in terms of stock market recognition, are unloved and provide a good opportunity for Chelsfield to reverse its fate.

Mountleigh, which Chelsfield has been rumored to be interested in for some time, was a very good example of such a company, Mr Bernard said.

## Era ends as Leopoldo Pirelli gives up executive power

By Haig Simonian in Milan

MR LEOPOLDO Pirelli, 66, chairman of Pirelli, the long-making Italian cables and tyre concern, is giving up executive powers in the company established by his grandfather 120 years ago.

Management control is going to a seven-member executive committee.

The group includes Mr Marco Tronchetti Provera, 44, Mr Pirelli's son-in-law, who has emerged as the company's new driving force. Mr Tronchetti Provera, already one of two managing directors, has now been named executive deputy chairman.

Mr Pirelli will remain chairman, but concentrate on liaison between Pirelli and Societa Internazionale Pirelli and Pirelli & C, the two financial holding companies which control it.

The termination of direct Pirelli family control over the company ends an era in Italian family capitalism.

Although Mr Pirelli's son, Alberto, 38, remains one of three deputy chairmen, Mr Tronchetti Provera's steady rise has left him increasingly sidelined in recent months.

The management changes represent further fall-out from last year's abortive takeover bid for Continental. Pirelli's slightly bigger German rival. The costs of that bid, notably the secret financial guarantees given to Pirelli's allies, account for around half its forecast 1991 loss of L600m (\$220.5m) for 1991.

Despite calls for changes at the top, Mr Pirelli had stressed



Leopoldo Pirelli: staying on as chairman

his intention to stay in charge. The change now, on the eve of a L519bn rights issue to buttress the group's shaky finances, will end speculation about his future.

The arrival of a younger generation of management not tainted by the Continental affairs should also help to restore shareholders' confidence.

There has been growing concern in recent weeks about Pirelli's vulnerability to a takeover following reports of sustained purchases of shares in Pirelli itself, and in the two holding companies. Although theoretically immune to a bid thanks to its complex structure, the rumours have raised doubts about the company's future.

Mr Tronchetti Provera is believed to have been firmly against the Continental takeover and to have watched with increasing dismay as it foundered. His family is one of the core shareholders in Pirelli, with a 5.6 per cent stake in Pirelli & C, the ultimate holding company.

Observer, Page 14

## Trilon Financial profits boosted to C\$109m for year

By Robert Gibbons in Montreal

TRILON Financial, a key holding company of the Peter and Edward Bronfman interests of Toronto, posted a sharp jump for 1991 profits because of better results by its financial services and property management affiliates.

Earnings were C\$109m (\$52.1m) or 74 cents a share, up from C\$58m a year earlier on revenues of C\$5.7bn against C\$5.2bn.

London Insurance, one of Trilon's two biggest holdings, contributed C\$58m, unchanged, and Royal Trustco returned to profitability.

Its earnings of C\$107m included C\$21m from an asset sale and its dividend is still not covered fully by profits.

Moody's is reviewing Royal Trustco's long-term debt and may lower its rating. "The review will focus on long-term earning capacity in relation to potential asset quality problems," said the agency in New York.

RT carries a single A-3 rating on its senior debt. Moody's

also pointed to the impact of the recession in Ontario on RT's domestic business.

Senior RT management told analysts in Toronto this week that the company's high level of non-performing loans in the past two years was due to the north America and UK recession.

DBRS, one of Canada's two credit agencies, lowered its rating on O&Y First Canadian Place debt from A-high to single A.

The company owns the Reichmann Brothers flagship Toronto office complex, which now has a 28 per cent vacancy rate.

DBRS also reduced ratings on the bonds of several upper Olympia & York Developments subsidiaries.

## Newman Tonks

Newman Tonks open offer of 13m new ordinary was taken up as to 10.4m by shareholders (79.53 per cent).

## Telecommunications busy in merger activity

Telecommunications was a busy sector for international merger and acquisition activity last week, writes Brian Bullen. Telefonica de Espana's purchase of 80 per cent of Telefonos de Espana, the Commonwealth of Puerto Rico-owned long distance carrier, consolidates its position in Latin America, at a time of intensifying competition among global long distance carriers.

The asset-pooling joint venture between Motorola of the US and Northern Telecom of Canada is aimed at stepping up competition in the cellular telephone sector. American Telephone and Telegraph said its joint venture with a St Petersburg-based company was only a small part of its plans to develop Russia's communications and improve the infrastructure there and eastern Europe.

Northumbrian Water is continuing the trend for diversification by the UK's privatised water companies. Its joint venture agreement with Spanish construction company Obracon as a significant step forward for its activities in Spain, where it has been providing river cleaning services for several years.

After a series of non-core disposals, Imperial Chemical Industries started buying again. Its bolt-on acquisition of Baracore Valencia, a Barcelona-based maker of vehicle repair paints, will fill a gap in its southern European markets. Also holding on is Allied-Lyons, which acquired the Michigan-based Dawn Dents chain.

| BUYER/INVESTOR                          | TARGET                                | SECTOR             | VALUE   | COMMENT                     |
|---|---------------------------------------|--------------------|---------|-----------------------------|
| Motorola (US/Northern Telecom) (Canada) | Motorola-Northern Communications (JV) | Telecoms           | \$110m  | Sector competition heats up |
| Telefonos de Espana (Spain)             | Telefonos de Espana (Spain)           | Telecoms           | \$79m   | In search of synergies      |
| Cap Gemini Segef (France)               | Programator (Sweden)                  | Computer services  | \$48m   | Agreed bid                  |
| Alcoa (US)                              | Kotem (Hungary)                       | Aluminium products | \$28m   | Controlling interest sought |
| Seaboard International (UK)             | Consilium CMH (Sweden)                | Materials handling | \$21.4m | Long term growth move       |
| BTP (UK)                                | Lambiotte/TRL (both France)           | Adhesives          | \$5.9m  | Completing European jigsaw  |
| Chassis Watch (Japan)                   | G Solei (Germany)                     | Machine tools      | \$4.5m  | First foreign acquisition   |
| Ash & Lacy (UK)                         | Galvanisation de L'Artois (France)    | Galvanising        | \$1.7m  | Third such buy              |
| Northumbrian Water (UK)/Obracon (Spain) | Obracon Northumbrian (JV)             | Water supply       | n/a     | Seed corn move              |
| Baracore (Spain)                        | Camos Ostrava (Czechoslovakia)        | Cement             | n/a     | Italian cement position     |

## Newmarket Venture assets up

NEWMARKET Venture Capital had a net asset value of 90p at December 31, its year-end. At the end of 1990 the figure stood at 58p.

The company has a portfolio of venture capital investments in the UK and the US. These are currently being realised and, as has previously been announced, it is proposed that the company is wound up voluntarily and the assets distributed to shareholders in 1994.

The company added that it does not take realised gains on its successful investments into the profit and loss account and it does not normally expect to pay ordinary dividends.

The p&l merely reflects deposit and investment income and the running costs of the company.

Pre-tax losses were cut to £76,000 (£125m) and losses per share to 2.1p (3.4p).

## Anglo &amp; Overseas assets rise over year

The net asset value of Anglo & Overseas Trust was 317.5p at December 31, a rise of 18.5 per cent over the 267.7p of a year previously and a fall of 8.5 per cent from the 328.2p reported at June 30.

Net revenue for 1991 slipped to £7,35m (£7.66m). Earnings emerged at 6.36p (6.64p) and the final dividend is fixed at a proposed 4.7p (4.4p), for a total of 6.45p (6.10p).

## Redland offer timetable extended

The takeover of Panel has further extended the timetable regarding Redland's offer for the primary and preference share capital of Redland.

With no news forthcoming from the secretary for trade and industry as to whether the bid would be referred to the

Monopolies and Mergers Commission, the Panel's view was that the timetable should be further extended.

It will review the matter of the timetable again if there is no announcement by the trade and industry secretary by March 12.

## GHANA COCOA BOARD IRRADIATION OF GHANA COCOA

The Ghana Cocoa Board's attention has been drawn to a Press Release purported to have been issued by an official of the Quality Control Department on the subject that Ghana Cocoa can now be efficiently preserved against pests, germs and viruses for two years through the use of irradiation without quality deterioration and still safe for human consumption.

The report further states that irradiation method is to be used to withhold cocoa from the market, and that the Government has put up a special building for this purpose with bigger irradiation plant donated by the International Atomic Energy Agency.

Cocobod wishes to categorically deny the above claim.

The Board is aware of an experimental work going on at the Ghana Atomic Energy Commission on the application of irradiation for the preservation of food (fish and other agricultural produce) and for sterilization of drugs and other medical supplies but not cocoa.

The Board is also aware of the ability of the radiation technologies; but neither the Board nor the Government of Ghana has taken any policy decision on their use. Cocobod therefore continues and will continue with its traditional quality control methods of preservation which ensure premium quality cocoa that is accepted by all our customers and safe for all consumers.

We in Cocobod are aware of the possible hazards posed by the irradiation methods and will not undertake any preservation methods that could be detrimental to the health of our partners and consumers.

D.K. ANINAKWAH  
CHIEF EXECUTIVE  
GHANA COCOA BOARD  
COCOA HOUSE  
P.O. BOX 933  
ACCRA - GHANA

## NOTICE OF REDEMPTION

US\$ 100,000,000  
10% per cent. Depository Receipts due 1999  
(the "Receipts")  
Issued by The Law Debenture Trust Corporation p.l.c.  
evidencing anti-trust payment of principal and interest  
in respect of a deposit with  
Banca Commerciale Italiana (the "Bank")  
(Hong Kong Branch)

Notice is hereby given that in accordance with Condition 4 (b) of the Receipts, the Bank will redeem all of the outstanding Receipts on March 10, 1992 at their principal amount.

Repayment of Principal will be made on or after March 10, 1992 upon presentation and surrender of the Receipts, at the offices of the Paying Agents listed below.

The Receipts should be presented for payment together with all un-matured coupons. Where any Receipt is presented for payment without all un-matured coupons appertaining thereto, redemption will only be made against the provision of such indemnity as the Bank may reasonably require.

On March 10, 1992, un-matured coupons shall become void and no payment shall be made in respect thereof.

Receipts and Coupons will become void unless presented for payment within the period of twelve years from the Redemption Date in the case of the Receipts and six years in the case of the Coupons.

Principal Paying Agent  
Kreditbank S.A. Luxembourg  
43 boulevard Royal  
L-2855 Luxembourg

Paying Agents  
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B-1000 Brussels  
Kreditbank (Suisse) S.A.  
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For the three months 18th February, 1992 to 18th May, 1992 the Notes will carry an interest rate of 5% per annum with a coupon amount of U.S. \$125.00 per U.S. \$100.00 principal amount, payable on 18th May, 1992.  
Bankers Trust Company, London  
Agent Bank

Banco Di Napoli International S.A.  
U.S. \$150,000,000  
Floating Rate Subordinated Notes due 1997  
For the six months 14th February, 1992 to 14th August, 1992 the Notes will carry an interest rate of 5% per annum with a coupon amount of U.S. \$25.42 per U.S. \$100.00 Notes, payable on 14th August, 1992.  
Bankers Trust Company, London  
Agent Bank

Mitsui Taiyo Kobe Bank (Luxembourg) S.A.  
U.S. \$50,000,000 10% per cent. Guaranteed Bonds due 1999  
Notice is hereby given that, in accordance with Condition (C) of the Terms and Conditions, the above-captioned Bonds will be redeemed at their principal amount on 23rd March, 1992.  
By: Mitsui Taiyo Kobe Trust International Limited (Fiscal Agent)  
17th February, 1992

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## LEGAL NOTICES

The Trade Marks set out below were assigned on 3rd September 1990, by: COOK BATES COMPANY, INC. to: LRC NORTH AMERICA, INC.

WITHOUT THE GOODWILL OF THE BUSINESS IN THE GOODS FOR WHICH THE TRADE MARKS ARE REGISTERED  
TRADE MARK NO. NAME  
80781 DIAMOND-DEB  
80782 DIAMOND-DEB  
109168 FOUR-LEAF  
GOODS SPECIFICATION  
COSMETICS  
NAIL FILES, NAIL CLIPPERS  
AND NAIL POLISHES  
HAND IMPLEMENTS INCLUDED  
IN CLASS 8  
COSMETICS AND NON-COSMETIC  
TOILET PREPARATIONS  
ALL FOR THE EYELASHES

COMMERZBANK OVERSEAS FINANCE N.V.  
U.S. \$200,000,000 Floating Rate Notes due 1993  
In accordance with the provisions of the Notes notice is hereby given that for the six months period from February 14, 1992 to August 14, 1992 the Notes will carry an interest rate of 4.0625% per annum with a coupon amount of U.S. \$205.38 per U.S. \$100.00 Note and U.S. \$5.194.55 per U.S. \$250.00 Note payable on August 14, 1992.  
Frankfurt/Main, February 1992  
COMMERZBANK AG

U.S. \$250,000,000  
Floating Rate Subordinated Capital Notes due August 1996  
CITICORP  
Notice is hereby given that the interest payable on the relevant Interest Payment Date, February 24, 1992, for the period November 14, 1991 to February 14, 1992 against Coupon No. 30, in respect of U.S. \$250,000 nominal of the Notes will be U.S. \$470.04.  
February 18, 1992 London  
By: Citibank N.A. (Citi Corp.), Agent Bank  
CITIBANK



## COMPANIES AND FINANCE

## Krupp shares to be traded on market for first time

By Christopher Parkes in Bonn

SHARES in Fried. Krupp, the German steel and engineering group, are to be traded on the open stock market this summer for the first time in the company's 181-year history.

The flotation follows a decision by the group's supervisory board on Saturday to convert the group, of which 75 per cent is held by the Alfred Krupp foundation and 25 per cent by the German government - into an *aktiengesellschaft*, or public limited company.

Fried. Krupp AG will serve as the umbrella organisation controlling the combined operations of the existing Krupp businesses and those of Hoesch, soon to be merged with Krupp.

Some of the shares are expected to be used in swaps deals to pay for the outstanding 48 per cent of Hoesch stock still not in Krupp's hands.

A majority, however, will remain under the control of the Krupp foundation - established in July 1987 - making the group virtually immune to takeover challenges.

The Krupp plan followed a decision by the Hoesch supervisory board last Friday not to obstruct the merger, which is expected to produce cost savings of DM300m (\$184.2m) a year for the next five years, and a DM460m annual "positive contribution to results" from 1996 onwards.

Krupp, founded in 1811 as a "manufacturer of English cast steel", first became a stock corporation in 1908. However, Ms Bertha Krupp, the founder's granddaughter, owned all but four shares.

The group was converted

back to sole family ownership during the second world war, when the group was known as *Friedrich's armature*.

Once known only for its steel and weapons manufacture, it has since become a diversified business with more than 200 subsidiaries and annual sales last year of DM15.5bn.

At present, steel accounts for 50 per cent of turnover, with engineering and plant-making contributing DM5.5bn, trading operations a further DM2bn and electronics some DM700m.

The merger with Hoesch will make the group the second biggest German steelmaker after Thyssen, and also offer synergies in motor components and other engineering sectors.

Krupp's switch to *AG* status is likely to be completed in March and first trading in the shares is expected in August.

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The group was converted

## Echo Bay reduces target for gold output this year

By Kenneth Gooding, Mining Correspondent

ECHO BAY Mines, one of North America's biggest precious metals mining groups, has set 1992 targets which will see gold output fall and cash production costs rise.

The Toronto-based company has set a production target of 700,000 troy ounces of gold this year, down from 733,900 in 1991, which in turn followed a 10 per cent drop from the 1990 level.

The cash cost target is \$255 an ounce compared with \$245 last year and \$244 in 1990.

Echo Bay plans to lift capital expenditure from \$50m to \$65m this year but exploration spending will be \$5m, only half the 1990 level and down from \$6m last year.

Silver output is targeted to jump from 5.6m ounces last year to 8m ounces in 1992. In 1990 silver production was just over 5m.

Echo Bay announced its 1992 targets at meetings in Europe and North America after revealing net earnings for 1991

were \$6.8m, or 0.07 cents a share, compared with a net loss of \$59.7m, or 60 cents, in 1990 when the company wrote off two investments.

Revenues fell to \$315.5m from \$338.5m reflecting lower gold prices and production. Echo Bay for gold was \$382, down from \$404.

The company has hedged 109,200 ounces of 1992 gold production at an average of \$397 an ounce and 3.7m ounces of 1992 silver at \$4.45. Prepayment of loans reduced Echo Bay's hedged position and the company has chosen not to lock in present "low" prices by making any additional forward sales. Gains of \$4.2m from 1991 pre-payments of gold and silver loans will be recognised in 1992 earnings.

Echo Bay's proven and probable reserves at the end of 1991 totalled 12,835m ounces of gold, against 12,482m the previous year, and 116,994m ounces of silver, against 135,861m.

## Jacobs offers Sfr34.6m for rest of Allgemine

By Ian Rodger in Zurich

MR Klaus Jacobs, formerly head of the Jacobs Suchard coffee and chocolate group, has offered Sfr34.6m (\$23.5m), or Sfr300 a share, to the minority shareholders of Allgemine Finanz, in a move to buy the remaining 48 per cent of the Zurich investment holding company. The price is much lower than what he paid last March in acquiring just over 50 per cent of the company.

Union Bank of Switzerland, which advised Mr Jacobs on the transaction, said the offer reflected the recent market price for the shares, which traded on Monday at Sfr300.

UBS also pointed out there was a put option, providing shareholders with the option of selling the shares for Sfr350 after April 8, while the main offer expired and up to June 30, 1994. It expected many shareholders would take this option.

Mr Jacobs bought a 50.1 per cent stake in Allgemine from a subsidiary of UBS for Sfr372.7m, or about Sfr450 a share. At the time, the shares were trading at about Sfr400.

He has since raised his stake in the company to 52 per cent.

Analysis said this was not the first time that Mr Jacobs had been associated with discrepancies in prices offered to majority and minority shareholders. In July 1990, many institutional shareholders in Jacobs Suchard complained that the offer by Philip Morris to minority shareholders was much lower than that offered to Mr Jacobs for the majority.

Switzerland has no effective code to protect minority shareholders' rights in the event of takeovers.

Allgemine said its net income in 1991 had jumped to Sfr12.4m from Sfr1.5m in 1990. Total assets rose to Sfr91.7m from Sfr76.5m.

Asset value per share jumped to Sfr34.6 at the end of 1991 from Sfr37.8 a year earlier, because the company changed its strategy and sold off many of its investments at a profit.

An unchanged dividend of Sfr15 a bearer share, as well as a one-time bonus of Sfr4 reflecting the good results, will be paid.

## Telelobe net profit triples to CS12m

By Robert Gibbons in Montreal

TELELOBE, the sole Canadian overseas telecommunications company, tripled net profit in the final quarter of 1991 on a 30 per cent gain in revenues. Management control of Telelobe passed to BCE earlier this month in a boardroom fight.

The strength came from the overseas telecommunications business. Telelobe also operates subsidiaries in data communications equipment and systems.

Fourth-quarter net was C\$12m (\$9.1m), or 25 cents a share, up from C\$3.1m, or 8 cents, in the year-earlier quarter. Revenues were C\$129m, against C\$107m.

For the full year, Telelobe earned C\$42.7m, or 54 cents a share, up from C\$32m, or 39 cents, in 1990.

Peoples Credit Jewellers of Toronto, which controls the troubled US Zale retailing group, posted a loss of C\$12.5m, or C\$0.82 a share, in the nine months ended 31 December, 1991.

The result included a special charge of C\$187m on its Zale investment. Zale has filed for bankruptcy protection.

## Sorin Biomedica agrees to acquire Pfizer division

By Haig Simonian in Milan

SORIN Biomedica, the stock market quoted subsidiary of Italy's SNA-BPD textiles and munitions group, is buying the Shiley artificial organs division of Pfizer, the US drugs group, for \$200m.

The deal will be largely financed by a one-for-one rights issue by Sorin Biomedica, which will raise around L2.18m (\$1.78m) through the issue of 72.8m new shares, priced at L3.00 each.

Sorin Biomedica heads the expanding bio-engineering activities of SNA-BPD, which is controlled by the Fiat group. Shiley, based in California and with production facilities in Germany and Italy, has around 1,900 employees and expects sales of more than L200m this year. Most of its products are used in heart surgery.

The acquisition will boost Sorin Biomedica's turnover to over L700m this year, from L444m in 1991. It will lift the contribution of the bio-engineering division to around 30

per cent of total group sales.

Sorin Biomedica has been expanding rapidly in recent years through a number of acquisitions, which have consolidated its position as a leading producer of specialty drugs and high-technology items for surgical and medical use.

● Olivetti, the office equipment maker, yesterday signed a letter of intent with the Italian government and trade unions to cut its workforce by 1,500 after a month and a half of negotiations. AP-DJ reports from Milan.

The agreement falls far short of Olivetti's initial plans, announced last month, to cut its payroll by 2,000. Olivetti has launched a company-wide restructuring plan in an effort to trim costs and maintain competitiveness despite the slump in the European computer market.

Olivetti said last week it expected to post a consolidated 1991 loss of at least L200m.

## Watchdog again postpones Hyundai fundraising issues

SOUTH Korea's Securities Supervisory Board (SSB) has

decided to postpone for the sixth time applications by two subsidiaries of Hyundai, one of the country's leading conglomerates, to raise funds on the Seoul stock market, Reuters reports from Seoul.

Hyundai Precision Industries and Hyundai Wood Industries have since July and August, respectively, sought approval to raise a total of Won88.7bn (\$80m) through rights issues on the local stock market.

The SSB said it delayed approval because the group had violated government advisory rules on financial management. Last year, the government instructed its shareholders not to sell large amounts of stock so as to help the ailing market.

However, Mr Chung Juyung, founder and ex-honorary chairman of Hyundai, had subsequently sold large stakes in the two companies, the SSB said. The companies would have to wait another month for an approval, it added.

Stockbrokers said the news sparked heavy selling of Hyundai's shares. A letter of appeal to the SSB also depressed investors, reflecting concern over a possible credit crunch for Hyundai.

## Daily News credit approved

THE New York Daily News, one of the late Mr Robert Maxwell's crumbling empire, has secured approval from the US bankruptcy courts for a \$10m credit line to normalise operations while a buyer is sought, writes Patrick Harverton in New York.

The News and its numerous creditors reached a funding

agreement with Sterling National Bank & Trust, which secured from the deal the right to be the first of the newspaper's creditors to receive repayments. The deal is believed to have given the newspaper's reorganisation committee more room to put together a plan to rescue the struggling tabloid from bankruptcy.

The \$10m credit line allows the News some breathing space. It will now be able to pay some suppliers and continue normal credit practices while considering offers from potential buyers.

Among those to have expressed interest are Mr Peter Kalkow, the millionaire property developer who owns the New York Post, a rival tabloid. Mr Kalkow, who filed for personal bankruptcy last year, revealed last Thursday that he was preparing an offer for the News.

## NRI TOKYO BOND INDEX

PERFORMANCE INDEX

|                      | 12/01/91 | 12/01/90 | 12/01/89 | 12/01/88 | 12/01/87 |
|----------------------|----------|----------|----------|----------|----------|
| Overall              | 100.00   | 100.00   | 100.00   | 100.00   | 100.00   |
| Government Bonds     | 100.00   | 100.00   | 100.00   | 100.00   | 100.00   |
| Corporate Bonds      | 100.00   | 100.00   | 100.00   | 100.00   | 100.00   |
| Foreign Bonds        | 100.00   | 100.00   | 100.00   | 100.00   | 100.00   |
| Government 10-year   | 100.00   | 100.00   | 100.00   | 100.00   | 100.00   |
| Estimated year yield | 5.8%     | 5.8%     | 5.8%     | 5.8%     | 5.8%     |

Source: Reuters Research Institute

## FIRST AUSTRALIA PRIME INCOME INVESTMENT COMPANY LIMITED

International Depositary Receipts (IDRs) Issued by Morgan Guaranty Trust Company of New York

Notice of Annual General Meeting of Shareholders

Notice is hereby given that the Annual General Meeting of Shareholders of First Australia Prime Income Investment Company Limited (the "Company") will be held at Equinox House, Tullahoma Road, Rarocoon, Cook Islands on February 27, 1992, at 9.00 a.m. (local time) for the following purposes:

- (1) To adopt a special resolution approving the amendment of Article 72 of the Articles of Association;
- (2) To elect directors;
- (3) To ratify the appointment of Mr. L.R.C. Taylor of P.O. Box 100, Tullahoma, New York, C.I. as auditor of the Company for the financial year ending September 30, 1992;
- (4) To adopt a special resolution approving the amendment to Article 74 of the Articles of Association;
- (5) To adopt a special resolution approving the amendment to Article 32 of the Articles of Association; and
- (6) To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on January 15th, 1992 as the record date for the determination of shareholders entitled to vote at the Meeting or any adjournment thereof.

By order of the Board of Directors

Online arrangements for IDR-holders

IDR-holders are not entitled to attend the meeting. Those who wish to vote must follow one of the following procedures:

- (1) If the IDRs are held in an account with Euroclear or Cedeo, IDR-holders must contact Euroclear or Cedeo instructing them to block the IDRs in the IDR-holder's account until conclusion of the meeting and specifying the manner in which the votes attributable to their IDRs should be cast.
- (2) If the IDRs are not held in Euroclear or Cedeo, IDR-holders must ensure that their voting instructions, together with either their IDRs or their bank's confirmation of deposit (including IDR serial numbers), reach the Depositary at the address given below (Ann. Securities Department - tel. 32-2-508.84.49 - telex 21752 MORRIS B) by February 24th, 1992. A fee of net 25, per voting instruction will be due to the Depositary. IDR-holders who instruct Euroclear to vote will be debited by Euroclear. The other IDR-holders are requested to transfer the fee to Morgan Guaranty Trust Company of New York, New York, for account 670-01-422 of the Depositary, under ref. FAPI, A.C.M.

Copies of the information circular relating to the Meeting are available at the address indicated below.

Depositary: Morgan Guaranty Trust Company of New York  
35, Avenue des Arts, 1040 Brussels

JP Morgan

This advertisement is issued in compliance with the requirements of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "Stock Exchange") and does not constitute an invitation to any person to subscribe for, or purchase, any preference stock.



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Placing by

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Hoare Govett Corporate Finance Limited  
J & E DavyUp to 5,000,000 Units of Non-Cumulative  
Sterling Preference Stock, Series A  
Up to 6,500,000 Units of Non-Cumulative  
Irish Pound Preference Stock, Series A

The Sterling Preference Stock has a nominal value of £1.00, carries a liquidation premium of £9.00, will be issued at a price of £10.0111 and carries a gross dividend entitlement of £1.2625 per annum. The Irish Pound Preference Stock has a nominal value of IR£1.00, carries a liquidation premium of IR£9.00, will be issued at a price of IR£10.0976 and carries a gross dividend entitlement of IR£1.20 per annum.

Application has been made to the Stock Exchange for the Preference Stock to be admitted to the Official List in London and Dublin. It is expected that listing will become effective and dealings will commence on 21st February, 1992.

Listing Particulars dated 14th February, 1992 relating to Bank of Ireland will be included in the Companies Fitch Service available from Eitel Financial Limited, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL from 15.00 hours on the 18th February, 1992 and may be obtained during normal business hours by collection only until and including 19th February, 1992 from the Company Announcements Office of the London Stock Exchange, Old Broad Street, London EC2N 1HD and until and including 2nd March, 1992 from:

Bank of Ireland,  
Lower Baggot Street,  
Dublin 2

Salomon Brothers International Limited,  
Victoria Plaza,  
111 Buckingham Palace Road,  
London SW1W 0SB

17th February, 1992

This advertisement is issued in compliance with the requirements of the London Stock Exchange. It does not constitute an invitation to subscribe for or purchase any shares. Application has been made to the London Stock Exchange for admission to the Official List of all the Zero Dividend Preference Shares, Income Shares and Capital Shares of M&G Recovery Investment Trust P.L.C. It is expected that listing will become effective and that dealing will commence separately for all the Zero Dividend Preference Shares, Income Shares, Capital Shares, Package Units and Geared Ordinary Units on Friday, 3rd April, 1992.

## M&amp;G Recovery Investment Trust P.L.C.

(Incorporated in England and Wales under the Companies Act 1985 with registered No. 2882172)  
Offer for Subscription of Package Units at 100p and Tender Offer of Component Shares

Sponsored by  
S.G. Warburg Securities

The Offers comprise in aggregate up to 995 million Package Units consisting of  
995 million Zero Dividend Preference Shares of 1p  
995 million Income Shares of 1p each  
995 million Capital Shares of 1p

The number of Shares being offered has deliberately been fixed at such a level as to minimise the possibility of having to scale down applications. Accordingly, the number of Shares being offered should not be assumed to be indicative of the number of Shares which will be allotted.

|  | Number of Shares | Share Capital | Number of Shares |
|--|------------------|---------------|------------------|
| Zero Dividend Preference Shares of 1p each | 995,000,000      | 9,950,000     | 995              |
| Income Shares of 1p each                   | 995,000,000      | 9,950,000     | 995              |
| Capital Shares of 1p each                  | 995,000,000      | 9,950,000     | 995              |
|  | 29,850,000,000   | 29,850,000    |                  |

\*on the basis that the Offers are fully subscribed

M&G Recovery Investment Trust P.L.C. is a new split capital investment trust to be managed by M&G Investment Management Limited. The underlying objective of the Company will be to invest in shares of companies which show potential for recovery but are going through a difficult period.

Listing Particulars relating to the Company and containing an application form for Package Units available under the Offer for Subscription will be included in the Companies Fitch Service available from Eitel Financial Limited, 37-45 Paul Street, London EC2A 4DL from 3.00 p.m. on 17th February, 1992. Copies of Listing Particulars will be available during normal business hours on any weekday (Saturday and public holidays accepted) up to and including 27th March, 1992 from:-

M&G Recovery Investment Trust P.L.C.  
Three Guys  
Tombey Hill  
London EC3R 9EG

S.G. Warburg Securities  
1 Pinbury Avenue  
London EC2M 5PA

National Westminster Bank PLC  
Regional & Department  
New Issues Section  
15 Finsbury Square  
London EC2Y 8DS

Copies of the Listing Particulars are also available from certain regional branches of National Westminster Bank PLC. Details of which can be obtained by telephoning M&G on 0245-348345 and for collection only from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Cabot Square, off Broad Street, London EC2, up to and including 19th February, 1992. Most Prospectuses will be available from 17th February, 1992 and copies can be received by telephoning M&G on the above number.

Applications in the Tender Offer must be submitted through eligible Bidding Participants. Individuals who wish to participate in the Tender Offer should contact their personal financial adviser. If necessary, information on financial intermediaries who are Bidding Participants and are prepared to make bids on behalf of parties who are not their existing clients may be obtained by telephoning M&G on 0245-348345.

17th February, 1992

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## INTERNATIONAL CAPITAL MARKETS

## UK GILTS

## Inflation outlook builds confidence

GLOOM about the UK economy held up gilt prices, in spite of the shadow over the market caused by a large tranche of bond issues which attracted only modest investor interest.

While prices at the short end of the gilt market rose slightly, with a consequent fall in yields, longer-dated gilts showed little movement.

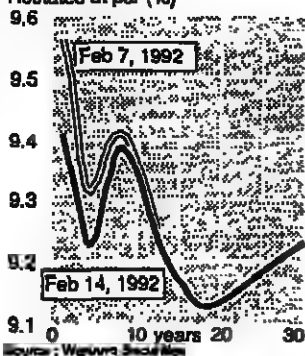
The market gained cheer from a rash of economic data which indicated a continued fall in inflationary pressures, due to a recession which has dragged on for 18 months and is now expected to last until well into this year.

With inflation in virtually all areas of the UK economy likely to be constrained over the next year or so, demand among investors for fixed-interest securities such as gilts remains strong.

Hence fewer sellers of the bonds emerged last week, even though the availability from Monday of the £1.25bn tranche of 9 per cent Treasury stock due in 2012 damped any down-

## UK gilts yields

Restated at per (%)



Source: Warrington Securities

ward movement in yields. By Friday night, buyers had emerged for only about half of the total tranche, according to gilt specialists.

The £1.25bn worth of gilts is part of a large volume of funding which the Bank of England plans over the next 18 months. Because of the need to borrow from the financial market to pay for Britain's rising public sector deficit, total gilt issues over this 18-month period

could total around £40bn.

On Friday, the benchmark 10 per cent Treasury stock maturing in 1994 closed at 101.4, up just 1/8 on the week and yielding 8.46 per cent. The longer-dated 9 per cent bond due in 2008 saw its yield fall slightly to 9.15 per cent.

At the short end of the market, the tendency for yields to fall was restrained by the perception that Mr Norman Lamont, the chancellor, is unlikely to sanction a cut in base rates, now 10.5 per cent, before the March 10 Budget.

The Bank is advising caution on this score, arguing that the vulnerability of sterling within the European exchange rate mechanism would make a rate cut risky. Mr Lamont, however, also has to weigh up political soundings which suggest that a rate cut will be before the Budget could bolster confidence ahead of the election.

Last week's economic data painted a picture of extremely weak demand, increasing the pressure on Mr Lamont to stimulate the economy. There

was a large fall in factory-price and retail-price inflation, while the Confederation of British Industry reported that pay settlements in manufacturing industry fell to their lowest level since it began collecting such data in 1980. Pay awards for the factory sector averaged only 4.1 per cent in the final quarter of last year, down on the 5.1 per cent recorded in the third quarter.

Meanwhile a 58,000 jump in seasonally-adjusted unemployment last month - well above the expected figure - cast a question mark over last week's statement in the Bank's bulletin that the rise in unemployment "seems to have moderated much more quickly than in the early 1980s".

The jobsless total of 1,800,000 in the three months to January is almost exactly the same as the jobsless total at the equivalent period of the 1980-1981 recession, and the trend appears to be increasing.

Peter Marsh

## US MONEY AND CREDIT

## Weak demand deflates yield hopes

THE US Treasury cannot win. The recent furor about the yield curve and government funding policy created enough hot air to fuel an around-the-world balloon trip, and the Treasury - sensitive to criticism from both Wall Street and Congress - felt it could not ignore the issue.

The big question was whether the government should take advantage of an unusually steep yield curve by issuing less long-term securities and more short-dated paper.

Some even went so far as to recommend that the Treasury should stop issuing new 30-year bonds altogether.

The idea behind the various schemes was to shorten the maturity on the national debt, which, because of the historically large spread between short and long-term interest rates, would cut funding costs for the taxpayer and force stubbornly high long-term yields lower.

After thinking it over, the Treasury eventually decided to act. It said it would begin to issue less 10-year notes and 30-year bonds, and make up for the reduction by issuing more at the short end of the market. The reduction, however, would be by only a few billion dollars each refunding round.

In the case of the first quarterly refunding programme of the year, completed last week, the reduction meant issuing \$10bn less 10-year notes (\$11bn instead of \$21bn), \$20bn less 30-year bonds (\$21bn instead of \$41bn), and correspondingly more three-year notes.

## US MONEY MARKET RATES (%)

|                            | 1 wk | 1 mo | 3 mo | 6 mo | 12 mo |
|----------------------------|------|------|------|------|-------|
| Fed Funds (weekly average) | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 10-day Treasury bill       | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 30-day Treasury bill       | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 90-day Treasury bill       | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 180-day Treasury bill      | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 1-year Treasury note       | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 2-year Treasury note       | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 3-year Treasury note       | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 5-year Treasury note       | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 10-year Treasury note      | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 30-year Treasury bond      | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |

## US BOND PRICES AND YIELDS (%)

|                       | 1 wk | 1 mo | 3 mo | 6 mo | 12 mo |
|-----------------------|------|------|------|------|-------|
| 10-day Treasury bill  | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 30-day Treasury bill  | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 90-day Treasury bill  | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 180-day Treasury bill | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 1-year Treasury note  | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 2-year Treasury note  | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 3-year Treasury note  | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 5-year Treasury note  | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 10-year Treasury note | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |
| 30-year Treasury bond | 3.00 | 3.00 | 3.00 | 3.00 | 3.00  |

Source: Salomon Bros (estimated)

Money supply: In the week ended 2/9/92, M1 rose \$2.5bn to \$221.7bn. M2 rose \$10.2bn to \$485.5bn.

that the economic recovery would not get off the ground until consumers start spending, and last week they got evidence of just that.

According to the data, January retail sales rose 0.6 per cent, well above market forecasts, while both November and December sales were up slightly, not lower as previously reported. Early February car sales also came in above consensus expectations. Just to complete the picture, initial jobless claims showed the second straight weekly decline in the number of people asking for state unemployment insurance.

Together, the data hardly added up to much, but it was enough to put the wind up bond investors already unmoved by some unexpectedly positive noises emanating from the Federal Reserve.

Statements from Mr Alan Greenspan, chairman of the Federal Reserve, indicated that the monetary authorities believe current monetary policy is sufficiently loose to allow room for a solid, if unspectacular, recovery by the second half of this year.

Although Mr Greenspan says he is ready to ease monetary policy again if necessary, the Fed chairman appears satisfied that the December one-point reduction in the discount rate will prove enough.

Judging by the direction of bond yields, the market is betting that the next time the Fed acts, it will put rates up, not down.

Patrick Harverson

## AUSTRALIAN BONDS

## Government spending plans raise concern

THE AUSTRALIAN government has become preoccupied with its forthcoming economic statement, due on February 26. Most expect a fiscal stimulus from Mr Charles Keating's Labour government, the exact details will determine the market's direction in the coming months.

The government is under considerable pressure to reduce unemployment and stimulate the recession-hit economy - especially with an election due by the middle of next year.

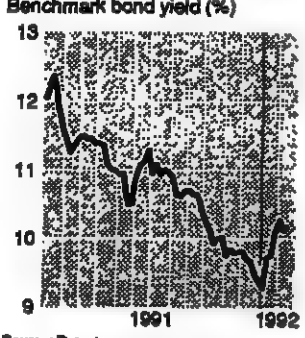
Dealers and investors are waiting to see whether the government will announce a spending package, whether these measures will be inflationary, and if further interest rate cuts are on the cards.

Australia was one of the top-performing government bond markets in 1991, helped by steadily falling interest rates. At the beginning of 1992, the overnight market rate was 7.5 per cent, compared with 12 per cent a year earlier.

However, since the beginning of 1992, bond prices have

## Australia

Benchmark bond yield (%)



Source: Datastream

fallen. Overseas investors, who made considerable gains in 1991, decided the time had come to take profits, and US-dollar based investors in particular were keen to switch out of Australian dollar assets because of fears the Australian currency would weaken from a level of around 77 cents to the US dollar.

The result was a sharp sell-off in the Australian debt market. The yield on the 10 per cent bond due October 2002

rose from 8.3 per cent on January 7 to 10.3 per cent on January 31. The Australian dollar had dipped below 74 cents to the US dollar, although it subsequently recovered and was at around 75.4 cents.

The economic statement is expected to include measures aimed at reducing unemployment, which rose to a post-war high of 10.5 per cent of the workforce in December 1991.

Although the unemployment figures for January (released last week) were much better than expected, analysts warn that January figures are not always a reliable guide and should be treated with some caution.

The seasonally adjusted unemployment rate fell to 10.3 per cent and employment rose by 48,900 in January, whereas economists had expected unemployment to be unchanged or even slightly higher, while employment was expected to rise.

Bond yields rose on the news as hopes of an easing in monetary policy subsided.

Mr Ralph Willis, finance

minister, tried to reassure the financial markets last Friday that the government remained committed to keeping inflation relatively low, even if it boosts spending.

But the concern in the market is that a substantial increase in spending would force the government to borrow heavily in the bond market and that the resulting new supply would push bond prices lower.

At the tender of government stock on February 11, a total of A\$900m was sold, consisting of A\$400m of the March 1994 bond and A\$500m of the October 2002 bond.

The amount sold was slightly lower than expected, although there is probably going to be an additional tender in May.

The yield on the two-year paper - which was sold at an average of 8.119 per cent at tender - is now 8.28 per cent, while for the 10-year bond, the yield has risen from 10.065 per cent at the tender to 10.37 per cent on Friday.

Sara Webb

## Consultancy Services Required

The Government of Pakistan has decided that a major effort to improve performance of the telecommunications sector is required to enhance efficiency of the sector and to achieve sustainable growth, based on more efficient, reliable and expanded telephone network. To achieve this objective the Government is initiating a far-reaching sector reform programme ranging from incremental enterprise improvement to privatisation and sector liberalization. The Government has announced its intention to privatize Pakistan Telecommunication Corporation (PTC) and has received expressions of interest from several potential investors.

The Government has also determined, as a prelude to the liberalization of the sector and the PTC privatization, that an elaborately designed privatization strategy is critically needed. Privatization of natural monopoly industry such as telecommunications, requires substantial sector policy work and preparation for sector regulation and industry structure. With this objective the Government wishes to prepare fair, transparent and credible ground rules.

Based on the above outlined approach towards privatization and liberalization, the Government wishes to appoint a consultant for (i) regulatory development and implementation work; and (ii) privatization transaction advisory work. A firm offering its services for this purpose, can associate with other firm or firms.

Interested firms are advised to contact the undersigned for details of the Terms of Reference and Terms of Reference for the consultancy as well as other related documents which will be sent to them to avoid delay.

Prior experience, particularly in privatization of telecommunications systems, is essential.

Last date for receipt of complete bids is March 6, 1992

Muhammad Sher Khan  
Additional Secretary  
Ministry of Communications,  
Government of Pakistan, Islamabad - Pakistan  
Tel: 214059 Fax: 220724 Telex: 5713 MICOOM PK

## BANK OF GREECE

US \$250,000,000

Floating Rate Notes

due 1997

Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 19th February, 1992 to 19th August, 1992 the following information is relevant:

1. Rate of Interest: 5.25% per annum

2. Interest Amount payable on Interest Payment Date: US\$ 255,42 per US\$ 10,000.00 nominal or US\$ 5,635.42 per US\$ 250,000.00 nominal

3. Interest Payment Date: 19th August, 1992

Agent Bank

Bank of America International Limited

National & Provincial Building Society

Issue of up to £200,000,000

Floating Rate Notes 1999

Notice is hereby given that for the three months 13th February, 1992 to 13th May, 1992 the Notes will carry an interest rate of 10 1/2% per annum with a coupon amount of £259.73 per £100,000 Note payable on 13th May, 1992.

Bankers Trust Company, London Agent Bank

Bankers Trust Company, London Agent Bank

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Bankers Trust Company, London Agent Bank

## The Royal Bank of Scotland Group plc

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from 13th February 1992 to 13th May 1992, the Notes will bear a Rate of Interest of 10.5% per annum. The amount of interest payable on 13th May 1992 will be £129.10 per £5,000 Note and £1,290.98 per £50,000 Note.

AGENT BANK CHARTERHOUSE BANK LIMITED

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## INTERNATIONAL CAPITAL MARKETS

## SYNDICATED LOANS

## Potential offered by social housing shift

THE TRANSFER of houses owned by local government authorities in the UK to housing associations over the next decade could be bigger than any of the high-profile industrial privatisations of the 1980s - and it would be financed entirely in the loan market.

Tunbridge Wells & District Housing Association recently signed a £100m funding package, comprising a syndicated bank facility provided by National Westminster Bank and the Halifax Building Society, and additional funding from Bank of Scotland and the Nationwide Building Society. Co-ordinated by UBS Phillips & Drew, the deal brings the number of block transfers of housing from local authority control to 17. The amount raised from banks now stands at £1.1bn.

But this is only a small proportion of the potential market. If the Conservatives win the next election, between 150 and 250 councils may sell their council houses to housing associations. The associations would need to raise around £2bn debt finance every year. Lending margins in this area are healthy. The core 25-year term loan for Tunbridge Wells carries a margin of 150 basis points over the London interbank offered rate.

Also, the loans are secured on residential property bought at a discount to open market value. The average price in Tunbridge Wells was £10,000 per property, a fraction of the open market price. This contrasts with 95 per cent mortgage loans made to individuals. Also, the loans carry a 50 per cent risk weighting, which means banks have to set aside

only half the capital needed for a normal commercial loan.

However, the four institutions which backed the Tunbridge Wells deal are the only regular providers of large-scale primary funding. Other banks participate in the syndicated loans, but the number of big, primary lenders is limited.

One problem is that housing associations require complex, long-term finance. For example, a housing association's rental income is low in the early years after transfer and maintenance costs can be high.

The Tunbridge Wells transaction comprises a 25-year £55m term loan backed by shorter-dated revolving credit facilities. These cover the shortfall between rental income and interest payments in the early years. The debt will roll up to a maximum of £105m after 15 years, only then starting to decline.

An additional problem is that building societies cannot syndicate their loan commitments.

To satisfy British law, building societies require separate security and are bound to the deal by a web of floating and second charges over the housing stock as a whole. There are substantial legal expenses involved in setting up such a structure.

The Building Societies Commission, the regulator, may loosen these restrictions and encourage more societies to participate in transfer deals. But existing lenders and associations agree that more bank lenders are needed if the "privatisation" of social housing in the UK is to proceed.

Simon London

## INTERNATIONAL BONDS

## Euromarket challenged by regulatory convergence

THE development of international regulations for the securities industry is forcing Eurobond market participants to ask a searching question of themselves: what exactly defines the international bond market?

The most challenging piece of legislation hanging over the market is the draft European Community investment services directive, which lays down rules for the conduct of investment business.

As currently drafted, the directive would force securities trading to take place on "regulated markets". The Eurobond market would not count as a regulated market - primarily because it has no formal listing and no trade publication requirements.

It is unlikely that the current text of the directive will be adopted. However, the debate has underlined that many of the structural differences between the domestic and international bond markets have already disappeared.

Withholding tax has been removed in nearly all leading industrialised countries. Where

it remains, mechanisms for international investors to reclaim tax have improved. Even in Italy, infamous for complex administrative procedures, international investors have at least an even chance of reclaiming withholding tax paid on domestic bonds.

The international market is slowly opening to a greater spread of investors as regulations limiting the foreign asset holdings of institutional investors have been relaxed.

For example, until 1990 Canadian pension funds were limited to holding 10 per cent of their assets overseas and were penalised by a heavy tax penalty if the limit was exceeded. The ceiling on foreign assets is now 20 per cent, leading them to diversify away from the domestic market.

Similarly, while some categories of US investors are still prohibited from participating in the primary Eurobond market, all can now buy international bonds 40 days after payment date - reduced from 90 days in the late 1980s.

A more homogeneous clearing and settlement "infrastructure" has developed as institutional investors have spread investments across markets.

Both Euroclear and Cedei, the clearing houses which used to be almost exclusively devoted to the international bond market, each now clear and settle transactions with 20 domestic bond markets.

Partly as a result of these changes, the Eurobond market is less dominated by retail investors than in the past. One sign of this is the spate of bonds with maturities of more than 10 years launched this year - such as Crédit Foncier's Ecu750m 12-year issue last week - aimed mainly at institutional fund managers with long-dated liabilities.

The development of the offshore Euro bond market can take some of the credit for tempting conservative investment institutions out of domestic markets. The Euro bond market has been transformed from a sector based on small corporate bond issues and retail investors to one dominated by governments, supranational agencies and big investment institutions.

The launch of "global" bond issues - deals sold under the same documentation and under the same pricing in European, US and Far Eastern markets - has accelerated the process of integration.

Since the World Bank launched its first \$1.5bn global issue in September 1988, the structure has been extended into other currency sectors. Last year saw global issues in Canadian and Australian dollars. The World Bank is now preparing a global issue in yen.

Such deals underline the extent to which debt securities can now be traded between markets.

One sign of convergence is the narrowing of pricing differentials between the Eurobond and domestic markets. Where there are no barriers to the free flow of funds, anomalies tend to be arbitrated away by investors dealing between markets.

At the start of the 1980s top-rated Eurodollar bonds could yield 70-80 basis points less than US domestic issues. Now the differential is much narrower, rarely more than 40 basis points.

Different constituencies of investor still have different tastes. The domestic US market is often a cheaper source of funds for corporate issuers, especially US companies.

For example, Mobil, the US oil company, last week launched a five-year domestic bond issue at a yield spread of 25 basis points over US Treasury bonds. In the Eurobond market the same deal would probably have been priced at a spread of 45 basis points.

Yet supranational institutions often achieve a better cost of funds by issuing Eurobonds. But while some anomalies remain, the cost-of-funds gap between the Eurobond market and domestic markets has certainly narrowed from a borrowers' perspective.

New syndication techniques and standardised fee structures introduced into the Eurobond market over the past two years have eroded any advantage it held over the US market in terms of underwriting costs. While underwriting fees in the US are variable, there is rarely more than a fractional difference between the two markets.

Simon London

## NEW INTERNATIONAL BOND ISSUES

| Borrowers                   | Amount m. | Maturity | Av. life years | Coupon % | Price   | Book runner            | Offer yield % |
|-----------------------------|-----------|----------|----------------|----------|---------|------------------------|---------------|
| <b>US DOLLARS</b>           |           |          |                |          |         |                        |               |
| Hosokawa Micron Corp (NY)   | 100       | 1996     | 4              | 3 1/4    | 100     | Nikko Europe           | 3.125         |
| DSL Bank                    | 200       | 1996     | 4              | 6 1/2    | 101.425 | Nomura Int.            | 6.088         |
| Sumitomo Heavy Ind. (J)     | 170       | 1996     | 4              | 3        | 100     | Deutsche Bank          | 3.000         |
| Alsea No.3 (J)              | 210       | 1997     | 5              | (c)      | 100     | Nomura Int.            | -             |
| Alsea No.3 (J)              | 52.5      | 1997     | 5              | 8        | 100     | Nomura Int.            | 8.180         |
| Credit National (J)         | 60        | 2000     | 8              | 28/30    | 100     | Paribas Capital Mkts.  | -             |
| Tokai Bk. (Netherlands)     | 100       | 2002     | 10             | (f)      | 101 1/2 | Salomon Bros.          | -             |
| Fuji Bk. (Luxembourg)       | 30        | 2002     | 10             | (f)      | 102     | Fuji Int. Finance      | -             |
| Samba Int. Finance (J)      | 40        | 1995     | 5              | 10       | 99.772  | Merrill Lynch          | -             |
| Bco. Finance & Brazil (NY)  | 90        | 1994     | 2              | 11       | 100     | Credit Lyonnais        | 11.303        |
| <b>STERLING</b>             |           |          |                |          |         |                        |               |
| BT Group (J)                | 125       | 1997     | 5              | (p)      | 98.61   | SG Warburg Secs.       | -             |
| <b>SCIL</b>                 |           |          |                |          |         |                        |               |
| SBAD                        | 300       | 1997     | 5              | 8 1/2    | 101.325 | UBS Phillips & Drew    | 8.291         |
| Esportindusnet              | 250       | 1998     | 4              | 8 1/4    | 101 1/2 | Nikko Europe           | 8.332         |
| Comm. Consortium Eutelsat   | 200       | 1997     | 5              | 8 1/4    | 101.675 | Credit Lyonnais        | 8.233         |
| Credit Foncier d'France (J) | 750       | 2004     | 12             | 8 1/4    | 100.35  | Paribas Capital Mkts.  | 8.326         |
| <b>CANADIAN DOLLARS</b>     |           |          |                |          |         |                        |               |
| KPW Int. Finance            | 250       | 1997     | 5              | 8 1/2    | 101.425 | IBJ Int.               | 8.018         |
| Credit Lyonnais             | 100       | 1997     | 5              | 8 1/2    | 101.425 | Hambros Bank           | 8.142         |
| Caisse Central Desjardins   | 100       | 1997     | 5              | 8 1/4    | 101.275 | Wood Gundy             | 8.427         |
| <b>AUSTRALIAN DOLLARS</b>   |           |          |                |          |         |                        |               |
| VicPublic Fin. Auth.        | 100       | 2002     | 10             | 11       | 101.586 | Merrill Lynch          | 10.733        |
| SLEK of Sth. Australia      | 100       | 2002     | 10             | 11       | 101.45  | Hambros Bank           | 10.735        |
| <b>NEW ZEALAND DOLLARS</b>  |           |          |                |          |         |                        |               |
| Telcom of NZ Finance        | 80        | 2000     | 8              | 9 1/2    | 101.40  | Hambros Bank           | 9.245         |
| <b>D-MARKS</b>              |           |          |                |          |         |                        |               |
| Deutsche Bank (J)           | 150       | 1996     | 4              | 4 1/2    | 100     | WestLB                 | 4.500         |
| Edishe (J)                  | 80        | 1996     | 4              | 4 1/2    | 100     | Nomura Bk. GmbH        | 4.500         |
| Kimisawa (J)                | 50        | 1996     | 4              | 4 1/2    | 100     | Deutsche Bank          | 4.500         |
| <b>EUROBONDS</b>            |           |          |                |          |         |                        |               |
| Deutsche Finance BV         | 500       | 1996     | 4              | 8 1/4    | 102     | Deutsche Bank          | 7.851         |
| Dresdner Finance BV         | 500       | 1996     | 4              | 8        | 101.70  | Dresdner Bank          | 7.836         |
| Kahyasa Finance BV          | 15        | 1997     | 5              | 8 1/2    | 101.80  | IBJ AG                 | 8.098         |
| BauCoal & Steinhilf         | 100       | 2002     | 10             | 7 1/4    | 100.50  | Deutsche Bank          | 7.998         |
| BauCoal & Steinhilf         | 75        | 1999     | 7              | 7 1/4    | 101 1/4 | Deutsche Girozentrale  | 7.359         |
| <b>SWISS FRANCES</b>        |           |          |                |          |         |                        |               |
| Tesac Corp (J)              | 60        | 1996     | -              | 4        | 100     | Credit Suisse          | 4.000         |
| City of Helsinki            | 150       | 2004     | -              | 8 1/2    | 101 1/2 | UBS                    | 6.412         |
| Swiss Mortgage Bank (J)     | 130       | 2002     | -              | 7 1/2    | 101     | Credit Suisse          | 6.983         |
| <b>PESETAS</b>              |           |          |                |          |         |                        |               |
| Eurofin (J)                 | 15bn      | 1997     | 5              | 10 1/2   | 101 1/4 | Bco Central His.-Amer. | 10.168        |
| <b>SWEDISH KRONOR</b>       |           |          |                |          |         |                        |               |
| Eurofin (J)                 | 500       | 1997     | 5              | 10 1/4   | 101 1/2 | Dresdner Bank          | 9.954         |
| <b>LINE</b>                 |           |          |                |          |         |                        |               |
| Deutsche Bk. Finance        | 200bn     | 1999     | 7              | 11 1/2   | 101.20  | Bco d'Amer. d'Italia   | 10.871        |
| <b>YEN</b>                  |           |          |                |          |         |                        |               |
| Onoda Cement Co. (J)        | 100n      | 1997     | 5 1/2          | 8 1/4    | 101.60  | Daiwa Europe           | 5.988         |
| <b>LUXEMBOURG FRANCES</b>   |           |          |                |          |         |                        |               |
| Crédit Romagnot (J)         | 1bn       | 1996     | 4              | 8        | 102.10  | BCEE                   | 8.363         |
| Bque. Worms (J)             | 900       | 2002     | 10             | 8 1/2    | 102.35  | BCEE                   | 8.547         |
| Escof Overmex (J)           | 400       | 1997     | 5              | 8 1/2    | 101 1/2 | Escof (Luxembourg)     | 8.400         |

1/4 Private placement. 2/Convertible (with equity warrants). 3/Floating rate notes. 4/Variable rate note. 5/Final terms. 6/Exercise premium fixed at 2.5%. 7/Callable 2024 at 101% and 2026 at 101 1/2%. 8/ Subordinated issue. Non-callable. 9/ Coupon pays 100p over 6-month Libor. 10/ Issue backed by US Adjustable Rate Mortgages issued in 2 tranches - Tranche A are Participating bonds. Coupon payable semi-annually. 11/ Redemption value linked to the S & P 500 index. Minimum redemption value of par. 12/ Exercise premium fixed at 2.5%. Non-callable. 13/ Exercise premium fixed at 2.5%. 14/ Subordinated issue. Non-callable. 15/ Coupon pays 80p over 6-month Libor for first 3 years, then fixed at 8% thereafter. Callable 27/2/95 at par. 16/ Coupon pays 80p over 6-month Libor for first 3 years, then fixed at 8% thereafter. Callable 27/2/95 at par. 17/ Exercise premium fixed at 2.5%. Non-callable. 18/ Exercise premium fixed at 2.5%. 19/ Exercise premium fixed at 2.5%. 20/ Exercise premium fixed at 2.5%. 21/ Exercise premium fixed at 2.5%. 22/ Exercise premium fixed at 2.5%. 23/ Exercise premium fixed at 2.5%. 24/ Exercise premium fixed at 2.5%. 25/ Exercise premium fixed at 2.5%. 26/ Exercise premium fixed at 2.5%. 27/ Exercise premium fixed at 2.5%. 28/ Exercise premium fixed at 2.5%. 29/ Exercise premium fixed at 2.5%. 30/ Exercise premium fixed at 2.5%. 31/ Exercise premium fixed at 2.5%. 32/ Exercise premium fixed at 2.5%. 33/ Exercise premium fixed at 2.5%. 34/ Exercise premium fixed at 2.5%. 35/ Exercise premium fixed at 2.5%. 36/ Exercise premium fixed at 2.5%. 37/ Exercise premium fixed at 2.5%. 38/ Exercise premium fixed at 2.5%. 39/ Exercise premium fixed at 2.5%. 40/ Exercise premium fixed at 2.5%. 41/ Exercise premium fixed at 2.5%. 42/ Exercise premium fixed at 2.5%. 43/ Exercise premium fixed at 2.5%. 44/ Exercise premium fixed at 2.5%. 45/ Exercise 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## Notice of Redemption to the holders of

# International Standard Electric Corporation

## 12% Sinking Fund Bonds Due 1996

NOTICE IS HEREBY GIVEN, that pursuant to the provisions of the Indenture dated 15th March, 1984 (the "Indenture"), between International Standard Electric Corporation and Bankers Trust Company, Trustee, that \$13,740,000.00 principal amount has been selected by the Trustee for Redemption on 15th March, 1992 and payable on 16th March, 1992 at the principal amount thereof in accordance with the Sinking Fund provided for in Section 3.06 of the Indenture.

The following are the serial numbers of the Bonds which will be redeemed in whole:

|      |      |      |      |      |      |      |      |      |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        | 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| 1188 | 2488 | 3088 | 4088 | 5088 | 6088 | 7088 | 8088 | 9088 | 10088 | 11088 | 12088 | 13088 | 14088 | 15088 | 16088 | 17088 | 18088 | 19088 | 20088 | 21088 | 22088 | 23088 | 24088 | 25088 | 26088 | 27088 | 28088 | 29088 | 30088 | 31088 | 32088 | 33088 | 34088 | 35088 | 36088 | 37088 | 38088 | 39088 | 40088 | 41088 | 42088 | 43088 | 44088 | 45088 | 46088 | 47088 | 48088 | 49088 | 50088 | 51088 | 52088 | 53088 | 54088 | 55088 | 56088 | 57088 | 58088 | 59088 | 60088 | 61088 | 62088 | 63088 | 64088 | 65088 | 66088 | 67088 | 68088 | 69088 | 70088 | 71088 | 72088 | 73088 | 74088 | 75088 | 76088 | 77088 | 78088 | 79088 | 80088 | 81088 | 82088 | 83088 | 84088 | 85088 | 86088 | 87088 | 88088 | 89088 | 90088 | 91088 | 92088 | 93088 | 94088 | 95088 | 96088 | 97088 | 98088 | 99088 | 100088 | 101088 | 102088 | 103088 | 104088 | 105088 | 106088 | 107088 | 108088 | 109088 | 110088 | 111088 | 112088 | 113088 | 114088 | 115088 | 116088 | 117088 | 118088 | 119088 | 120088 | 121088 | 122088 | 123088 | 124088 | 125088 | 126088 | 127088 | 128088 | 129088 | 130088 | 131088 | 132088 | 133088 | 134088 | 135088 | 136088 | 137088 | 138088 | 139088 | 140088 | 141088 | 142088 | 143088 | 144088 | 145088 | 146088 | 147088 | 148088 | 149088 | 150088 | 151088 | 152088 | 153088 | 154088 | 155088 | 156088 | 157088 | 158088 | 159088 | 160088 | 161088 | 162088 | 163088 | 164088 | 165088 | 166088 | 167088 | 168088 | 169088 | 170088 | 171088 | 172088 | 173088 | 174088 | 175088 | 176088 | 177088 | 178088 | 179088 | 180088 | 181088 | 182088 | 183088 | 184088 | 185088 | 186088 | 187088 | 188088 | 189088 | 190088 | 191088 | 192088 | 193088 | 194088 | 195088 | 196088 | 197088 | 198088 | 199088 | 200088 | 201088 | 202088 | 203088 | 204088 | 205088 | 206088 | 207088 | 208088 | 209088 | 210088 | 211088 | 212088 | 213088 | 214088 | 215088 | 216088 | 217088 | 218088 | 219088 | 220088 | 221088 | 222088 | 223088 | 224088 | 225088 | 226088 | 227088 | 228088 | 229088 | 230088 | 231088 | 232088 | 233088 | 234088 | 235088 | 236088 | 237088 | 238088 | 239088 | 240088 | 241088 | 242088 | 243088 | 244088 | 245088 | 246088 | 247088 | 248088 | 249088 | 250088 | 251088 | 252088 | 253088 | 254088 | 255088 | 256088 | 257088 | 258088 | 259088 | 260088 | 261088 | 262088 | 263088 | 264088 | 265088 | 266088 | 267088 | 268088 | 269088 | 270088 | 271088 | 272088 | 273088 | 274088 | 275088 | 276088 | 277088 | 278088 | 279088 | 280088 | 281088 | 282088 | 283088 | 284088 | 285088 | 286088 | 287088 | 288088 | 289088 | 290088 | 291088 | 292088 | 293088 | 294088 | 295088 | 296088 | 297088 | 298088 | 299088 | 300088 | 301088 | 302088 | 303088 | 304088 | 305088 | 306088 | 307088 | 308088 | 309088 | 310088 | 311088 | 312088 | 313088 | 314088 | 315088 | 316088 | 317088 | 318088 | 319088 | 320088 | 321088 | 322088 | 323088 | 324088 | 325088 | 326088 | 327088 | 328088 | 329088 | 330088 | 331088 | 332088 | 333088 | 334088 | 335088 | 336088 | 337088 | 338088 | 339088 | 340088 | 341088 | 342088 | 343088 | 344088 | 345088 | 346088 | 347088 | 348088 | 349088 | 350088 | 351088 | 352088 | 353088 | 354088 | 355088 | 356088 | 357088 | 358088 | 359088 | 360088 | 361088 | 362088 | 363088 | 364088 | 365088 | 366088 | 367088 | 368088 | 369088 | 370088 | 371088 | 372088 | 373088 | 374088 | 375088 | 376088 | 377088 | 378088 | 379088 | 380088 | 381088 | 382088 | 383088 | 384088 | 385088 | 386088 | 387088 | 388088 | 389088 | 390088 | 391088 | 392088 | 393088 | 394088 | 395088 | 396088 | 397088 | 398088 | 399088 | 400088 | 401088 | 402088 | 403088 | 404088 | 405088 | 406088 | 407088 | 408088 | 409088 | 410088 | 411088 | 412088 | 413088 | 414088 | 415088 | 416088 | 417088 | 418088 | 419088 | 420088 | 421088 | 422088 | 423088 | 424088 | 425088 | 426088 | 427088 | 428088 | 429088 | 430088 | 431088 | 432088 | 433088 | 434088 | 435088 | 436088 | 437088 | 438088 | 439088 | 440088 | 441088 | 442088 | 443088 | 444088 | 445088 | 446088 | 447088 | 448088 | 449088 | 450088 | 451088 | 452088 | 453088 | 454088 | 455088 | 456088 | 457088 | 458088 | 459088 | 460088 | 461088 | 462088 | 463088 | 464088 | 465088 | 466088 | 467088 | 468088 | 469088 | 470088 | 471088 | 472088 | 473088 | 474088 | 475088 | 476088 | 477088 | 478088 | 479088 | 480088 | 481088 | 482088 | 483088 | 484088 | 485088 | 486088 | 487088 | 488088 | 489088 | 490088 | 491088 | 492088 | 493088 | 494088 | 495088 | 496088 | 497088 | 498088 | 499088 | 500088 | 501088 | 502088 | 503088 | 504088 | 505088 | 506088 | 507088 | 508088 | 509088 | 510088 | 511088 | 512088 | 513088 | 514088 | 515088 | 516088 | 517088 | 518088 | 519088 | 520088 | 521088 | 522088 | 523088 | 524088 | 525088 | 526088 | 527088 | 528088 | 529088 | 530088 | 531088 | 532088 | 533088 | 534088 | 535088 | 536088 | 537088 | 538088 | 539088 | 540088 | 541088 | 542088 | 543088 | 544088 | 545088 | 546088 | 547088 | 548088 | 549088 | 550088 | 551088 | 552088 | 553088 | 554088 | 555088 | 556088 | 557088 | 558088 | 559088 | 560088 | 561088 | 562088 | 563088 | 564088 | 565088 | 566088 | 567088 | 568088 | 569088 | 570088 | 571088 | 572088 | 573088 | 574088 | 575088 | 576088 | 577088 | 578088 | 579088 | 580088 | 581088 | 582088 | 583088 | 584088 | 585088 | 586088 | 587088 | 588088 | 589088 | 590088 | 591088 | 592088 | 593088 | 594088 | 595088 | 596088 | 597088 | 598088 | 599088 | 600088 | 601088 | 602088 | 603088 | 604088 | 605088 | 606088 | 607088 | 608088 | 609088 | 610088 | 611088 | 612088 | 613088 | 614088 | 615088 | 616088 | 617088 | 618088 | 619088 | 620088 | 621088 | 622088 | 623088 | 624088 | 625088 | 626088 | 627088 | 628088 | 629088 | 630088 | 631088 | 632088 | 633088 | 634088 | 635088 | 636088 | 637088 | 638088 | 639088 | 640088 | 641088 | 642088 | 643088 | 644088 | 645088 | 646088 | 647088 | 648088 | 649088 | 650088 | 651088 | 652088 | 653088 | 654088 | 655088 | 656088 | 657088 | 658088 | 659088 | 660088 | 661088 | 662088 | 663088 | 664088 | 665088 | 666088 | 667088 | 668088 | 669088 | 670088 | 671088 | 672088 | 673088 | 674088 | 675088 | 676088 | 677088 | 678088 | 679088 | 680088 | 681088 | 682088 | 683088 | 684088 | 685088 | 686088 | 687088 | 688088 | 689088 | 690088 | 691088 | 692088 | 693088 | 694088 | 695088 | 696088 | 697088 | 698088 | 699088 | 700088 | 701088 | 702088 | 703088 | 704088 | 705088 | 706088 | 707088 | 708088 | 709088 | 710088 | 711088 | 712088 | 713088 | 714088 | 715088 | 716088 | 717088 | 718088 | 719088 | 720088 | 721088 | 722088 | 723088 | 724088 | 725088 | 726088 | 727088 | 728088 | 729088 | 730088 | 731088 | 732088 | 733088 | 734088 | 735088 | 736088 | 737088 | 738088 | 739088 | 740088 | 741088 | 742088 | 743088 | 744088 | 745088 | 746088 | 747088 | 748088 | 749088 | 750088 | 751088 | 752088 | 753088 | 754088 | 755088 | 756088 | 757088 | 758088 | 759088 | 760088 | 761088 | 762088 | 763088 | 764088 | 765088 | 766088 | 767088 | 768088 | 769088 | 770088 | 771088 | 772088 | 773088 | 774088 | 775088 | 776088 | 777088 | 778088 | 779088 | 780088 | 781088 | 782088 | 783088 | 784088 | 785088 | 786088 | 787088 | 788088 | 789088 | 790088 | 791088 | 792088 | 793088 | 794088 | 795088 | 796088 | 797088 | 798088 | 799088 | 800088 | 801088 | 802088 | 803088 | 804088 | 805088 | 806088 | 807088 | 808088 | 809088 | 810088 | 811088 | 812088 | 813088 | 814088 | 815088 | 816088 | 817088 | 818088 | 819088 | 820088 | 821088 | 822088 | 823088 | 824088 | 825088 | 826088</ |
|------|------|------|------|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----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|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|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| 5795 | 5802 | 5808 | 5817 | 5823 | 5830 | 5837 | 5844 | 5851 | 5858 | 5865 | 5872 | 5879 | 5886 | 5893 | 5900 | 5907 | 5914 | 5921 | 5928 | 5935 | 5942 | 5949 | 5956 | 5963 | 5970 | 5977 | 5984 | 5991 | 5998 | 6005 | 6012 | 6019 | 6026 | 6033 | 6040 | 6047 | 6054 | 6061 | 6068 | 6075 | 6082 | 6089 | 6096 | 6103 | 6110 | 6117 | 6124 | 6131 | 6138 | 6145 | 6152 | 6159 | 6166 | 6173 | 6180 | 6187 | 6194 | 6201 | 6208 | 6215 | 6222 | 6229 | 6236 | 6243 | 6250 | 6257 | 6264 | 6271 | 6278 | 6285 | 6292 | 6299 | 6306 | 6313 | 6320 | 6327 | 6334 | 6341 | 6348 | 6355 | 6362 | 6369 | 6376 | 6383 | 6390 | 6397 | 6404 | 6411 | 6418 | 6425 | 6432 | 6439 | 6446 | 6453 | 6460 | 6467 | 6474 | 6481 | 6488 | 6495 | 6502 | 6509 | 6516 | 6523 | 6530 | 6537 | 6544 | 6551 | 6558 | 6565 | 6572 | 6579 | 6586 | 6593 | 6600 | 6607 | 6614 | 6621 | 6628 | 6635 | 6642 | 6649 | 6656 | 6663 | 6670 | 6677 | 6684 | 6691 | 6698 | 6705 | 6712 | 6719 | 6726 | 6733 | 6740 | 6747 | 6754 | 6761 | 6768 | 6775 | 6782 | 6789 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| 8798 | 8805 | 8812 | 8819 | 8826 | 8833 | 8840 | 8847 | 8854 | 8861 | 8868 | 8875 | 8882 | 8889 | 8896 | 8903 | 8910 | 8917 | 8924 | 8931 | 8938 | 8945 | 8952 | 8959 | 8966 | 8973 | 8980 | 8987 | 8994 | 9001 | 9008 | 9015 | 9022 | 9029 | 9036 | 9043 | 9050 | 9057 | 9064 | 9071 | 9078 | 9085 | 9092 | 9099 | 9106 | 9113 | 9120 | 9127 | 9134 | 9141 | 9148 | 9155 | 9162 | 9169 | 9176 | 9183 | 9190 | 9197 | 9204 | 9211 | 9218 | 9225 | 9232 | 9239 | 9246 | 9253 | 9260 | 9267 | 9274 | 9281 | 9288 | 9295 | 9302 | 9309 | 9316 | 9323 | 9330 | 9337 | 9344 | 9351 | 9358 | 9365 | 9372 | 9379 | 9386 | 9393 | 9400 | 9407 | 9414 | 9421 | 9428 | 9435 | 9442 | 9449 | 9456 | 9463 | 9470 | 9477 | 9484 | 9491 | 9498 | 9505 | 9512 | 9519 | 9526 | 9533 | 9540 | 9547 | 9554 | 9561 | 9568 | 9575 | 9582 | 9589 | 9596 | 9603 | 9610 | 9617 | 9624 | 9631 | 9638 | 9645 | 9652 | 9659 | 9666 | 9673 | 9680 | 9687 | 9694 | 9701 | 9708 | 9715 | 9722 | 9729 | 9736 | 9743 | 9750 | 9757 | 9764 | 9771 | 9778 | 9785 | 9792 | 9799 | 9806 | 9813 | 9820 | 9827 | 9834 | 9841 | 9848 | 9855 | 9862 | 9869 | 9876 | 9883 | 9890 | 9897 | 9904 | 9911 | 9918 | 9925 | 9932 | 9939 | 9946 | 9953 | 9960 | 9967 | 9974 | 9981 | 9988 | 9995 | 10002 | 10009 | 10016 | 10023 | 10030 | 10037 | 10044 | 10051 | 10058 | 10065 | 10072 | 10079 | 10086 | 10093 | 10100 | 10107 | 10114 | 10121 | 10128 | 10135 | 10142 | 10149 | 10156 | 10163 | 10170 | 10177 | 10184 | 10191 | 10198 | 10205 | 10212 | 10219 | 10226 | 10233 | 10240 | 10247 | 10254 | 10261 | 10268 | 10275 | 10282 | 10289 | 10296 | 10303 | 10310 | 10317 | 10324 | 10331 | 10338 | 10345 | 10352 | 10359 | 10366 | 10373 | 10380 | 10387 | 10394 | 10401 | 10408 | 10415 | 10422 | 10429 | 10436 | 10443 | 10450 | 10457 | 10464 | 10471 | 10478 | 10485 | 10492 | 10499 | 10506 | 10513 | 10520 | 10527 | 10534 | 10541 | 10548 | 10555 | 10562 | 10569 | 10576 | 10583 | 10590 | 10597 | 10604 | 10611 | 10618 | 10625 | 10632 | 10639 | 10646 | 10653 | 10660 | 10667 | 10674 | 10681 | 10688 | 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14195 | 14202 | 14209 | 14216 | 14223 | 14230 | 14237 | 14244 | 14251 | 14258 | 14265 | 14272 | 14279 | 14286 | 14293 | 14300 | 14307 | 14314 | 14321 | 14328 | 14335 | 14342 | 14349 | 14356 | 14363 | 14370 | 14377 | 14384 | 14391 | 14398 | 14405 | 14412 | 14419 | 14426 | 14433 | 14440 | 14447 | 14454 | 14461 | 14468 | 14475 | 14482 | 14489 | 14496 | 14503 | 14510 | 14517 | 14524 | 14531 | 14538 | 14545 | 14552 | 14559 | 14566 | 14573 | 14580 | 14587 | 14594 | 14601 | 14608 | 14615 | 14622 | 14629 | 14636 | 14643 | 14650 | 14657 | 14664 | 14671 | 14678 | 14685 | 14692 | 14699 | 14706 | 14713 | 14720 | 14727 | 14734 | 14741 | 14748 | 14755 | 14762 | 14769 | 14776 |
|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|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**AUTHORISE  
UNIT TRUST**

[illegible]



● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 50p/minute, peak rate and 45p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-825-2123.

| (Full Name) | Dat. Given | Coac. Price | Mid Price | Offr-Vind Price | City-Gr's Area |
|-------------|------------|-------------|-----------|-----------------|----------------|
|-------------|------------|-------------|-----------|-----------------|----------------|

[illegible][illegible]



● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 38p/minute. For more information on Unit Trusts call 071-825-2128.

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|       |                                       |        |        |
|-------|---------------------------------------|--------|--------|
| 44348 | Westbourne, The Grange, St Peter Park |        |        |
| 44349 | Island Global Fd .....                | 1133.1 | 1133.1 |
| 44350 |                                       | 1734.2 | 1734.2 |



● Current Unit Trust prices are available on FT Cityline, call 0891 723456. Calls charged at 30p/minute, plus 10p per line and 40p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2126.

[illegible]



## CURRENCIES, MONEY AND CAPITAL MARKETS

## MONEY MARKETS

## Watchful eyes on £

TO cut or not to cut - that will be the big question occupying the Bank of England as it watches the fate of sterling in the foreign exchanges and as political pressures for a reduction in interest rates grow more intense.

Starling's shining performance last week when it ignored virtually every piece of bad news the economists could throw at it - may well strengthen the case for an interest rate cut.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

Certainly, if the dollar continues to rise at the expense of the D-Mark, one of the heaviest pressures on the UK currency could be eased just enough to allow a reduction in interest rates.

Dr Mark Austin, economist with HongKong Bank, suggests that the authorities could "get away with just a small cut, in such a case. The market is becoming increasingly stunted

to the idea of a ½ point reduction.

A strong dollar appears to be on the cards this week, with few events scheduled which would have an adverse impact.

Mr Alan Greenspan, chairman of the Federal Reserve, is set to give his biannual report to Congress on Wednesday, known as the Humphrey-Hawkins speech. Most economists expect him to say the same old thing - enough has been done, but if necessary we will do more.

The market is also looking for a pick up in housing starts, due out the same day.

Even if the statistics come up with depressing numbers, "the market is in the mood to ignore the bad news and to look for the good," says Mr Nigel Newman, senior economist with Barclays.

In Germany, good producer price figures are not expected to put off the D-Mark bears. The continuing difficulty of wage negotiations and the Bundesbank's stated policy of holding firm on rates are likely to weaken the D-Mark, say economists.

## £ IN NEW YORK

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

Forward premium and discount by 100 to the US dollar

## STERLING INDEX

| Feb 14 | Close  | Previous |
|--------|--------|----------|
| 100.00 | 100.00 |          |
| 100.00 | 100.00 |          |
| 100.00 | 100.00 |          |

## OTHER CURRENCIES

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

| Feb 14        | Close         | Previous |
|---------------|---------------|----------|
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |
| 1.7800-1.7775 | 1.7725-1.7700 |          |

## POUND SPOT - FORWARD AGAINST THE POUND

| Feb 14        | Day's Spot    | Close         | One month     | %             | Three months  | %             |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 |

## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Feb 14        | Day's Spot    | Close         | One month     | %             | Three months  | %             |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 |

## EXCHANGE CROSS RATES

| £             | \$            | DM            | Yfr           | Ffr           | Sfr           | Nfl           | Lin           | CS            | Sfr           | Esc           |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 |

Yfr per 1,000 French Fr. per 100; Lin per 1,000; Esc per 100.

## EURO-CURRENCY INTEREST RATES

| Feb 14        | Short         | 7 days        | One month     | Three months  | Six months    | One year      |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 | 1.7725-1.7700 |

## FT LONDON INTERBANK FIXING

| Feb 14        | Close         | Previous      |
|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |

## MONEY RATES

| Feb 14        | Close         | Previous      |
|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |

| Feb 14        | Close         | Previous      |
|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |

| Feb 14        | Close         | Previous      |
|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |

| Feb 14        | Close         | Previous      |
|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |

| Feb 14        | Close         | Previous      |
|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |

| Feb 14        | Close         | Previous      |
|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |

| Feb 14        | Close         | Previous      |
|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |

| Feb 14        | Close         | Previous      |
|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |

| Feb 14        | Close         | Previous      |
|---------------|---------------|---------------|
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |
| 1.7800-1.7775 | 1.7725-1.7700 | 1.7725-1.7700 |

| Feb 14        | Close         | Previous      |
|---------------|---------------|---------------|
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## LONDON RECENT ISSUES

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## FIXED INTEREST STOCKS

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## RIGHTS OFFERS



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| FINANCIALS - Rates |   | Comex       |   |
|--------------------|---|-------------|---|
| Electricity        | 1 | Electricity | 1 |
| Gas                | 1 | Gas         | 1 |
| Oil                | 1 | Oil         | 1 |
| Coal               | 1 | Coal        | 1 |
| Iron               | 1 | Iron        | 1 |
| Steel              | 1 | Steel       | 1 |
| Aluminum           | 1 | Aluminum    | 1 |
| Copper             | 1 | Copper      | 1 |
| Gold               | 1 | Gold        | 1 |
| Silver             | 1 | Silver      | 1 |
| Platinum           | 1 | Platinum    | 1 |
| Palladium          | 1 | Palladium   | 1 |
| Lead               | 1 | Lead        | 1 |
| Zinc               | 1 | Zinc        | 1 |
| Nickel             | 1 | Nickel      | 1 |
| Vanadium           | 1 | Vanadium    | 1 |
| Chromium           | 1 | Chromium    | 1 |
| Manganese          | 1 | Manganese   | 1 |
| Antimony           | 1 | Antimony    | 1 |
| As                 | 1 | As          | 1 |
| Bi                 | 1 | Bi          | 1 |
| Br                 | 1 | Br          | 1 |
| Cd                 | 1 | Cd          | 1 |
| Co                 | 1 | Co          | 1 |
| Cu                 | 1 | Cu          | 1 |
| Fe                 | 1 | Fe          | 1 |
| Hg                 | 1 | Hg          | 1 |
| Mn                 | 1 | Mn          | 1 |
| Pb                 | 1 | Pb          | 1 |
| Sn                 | 1 | Sn          | 1 |
| Sr                 | 1 | Sr          | 1 |
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| Tb                 | 1 | Tb          | 1 |
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## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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**Continued on next page**



**NASDAQ NATIONAL MARKET**[illegible]

## 4:00 pm prices February 14

| Block       | Date | NY   |     |      |       |        | LSE  |       |      |       |        | Stock | Div. | NY   |     |       |       |        | LSE  |     |      |       |        | Stock | Div.  | NY   |     |      |       |        | LSE  |     |      |       |        | Stock | Div. |    |    |    |     |   |
|-------------|------|------|-----|------|-------|--------|------|-------|------|-------|--------|-------|------|------|-----|-------|-------|--------|------|-----|------|-------|--------|-------|-------|------|-----|------|-------|--------|------|-----|------|-------|--------|-------|------|----|----|----|-----|---|
|             |      | High | Low | Open | Close | Change | High | Low   | Open | Close | Change |       |      | High | Low | Open  | Close | Change | High | Low | Open | Close | Change |       |       | High | Low | Open | Close | Change | High | Low | Open | Close | Change |       |      |    |    |    |     |   |
| Active Corp | 0.16 | 18   | 140 | 37   | 27    | 1/4    | +    | Chubb | 1    | 148   | 8      | 2     | 3    | 1/4  | +   | Radio | 0.04  | 10     | 384  | 45  | 30   | 40    | 1/4    | +     | Chubb | 0.04 | 10  | 384  | 45    | 30     | 40   | 1/4 | +    | Radio | 0.04   | 10    | 384  | 45 | 30 | 40 | 1/4 | + |
| Active Corp | 0.16 | 18   | 140 | 37   | 27    | 1/4    | +    | Chubb | 1    | 148   | 8      | 2     | 3    | 1/4  | +   | Radio | 0.04  | 10     | 384  | 45  | 30   | 40    | 1/4    | +     | Chubb | 0.04 | 10  | 384  | 45    | 30     | 40   | 1/4 | +    | Radio | 0.04   | 10    | 384  | 45 | 30 | 40 | 1/4 | + |
| Active Corp | 0.16 | 18   | 140 | 37   | 27    | 1/4    | +    | Chubb | 1    | 148   | 8      | 2     | 3    | 1/4  | +   | Radio | 0.04  | 10     | 384  | 45  | 30   | 40    | 1/4    | +     | Chubb | 0.04 | 10  | 384  | 45    | 30     | 40   | 1/4 | +    | Radio | 0.04   | 10    | 384  | 45 | 30 | 40 | 1/4 | + |
| Active Corp | 0.16 | 18   | 140 | 37   | 27    | 1/4    | +    | Chubb | 1    | 148   | 8      | 2     | 3    | 1/4  | +   | Radio | 0.04  | 10     | 384  | 45  | 30   | 40    | 1/4    | +     | Chubb | 0.04 | 10  | 384  | 45    | 30     | 40   | 1/4 | +    | Radio | 0.04   | 10    | 384  | 45 | 30 | 40 | 1/4 | + |
| Active Corp | 0.16 | 18   | 140 | 37   | 27    | 1/4    | +    | Chubb | 1    | 148   | 8      | 2     | 3    | 1/4  | +   | Radio | 0.04  | 10     | 384  | 45  | 30   | 40    | 1/4    | +     | Chubb | 0.04 | 10  | 384  | 45    | 30     | 40   | 1/4 | +    | Radio | 0.04   | 10    | 384  | 45 | 30 | 40 | 1/4 | + |
| Active Corp | 0.16 | 18   | 140 | 37   | 27    | 1/4    | +    | Chubb | 1    | 148   | 8      | 2     | 3    | 1/4  | +   | Radio | 0.04  | 10     | 384  | 45  | 30   | 40    | 1/4    | +     | Chubb | 0.04 | 10  | 384  | 45    | 30     | 40   | 1/4 | +    | Radio | 0.04   | 10    | 384  | 45 | 30 | 40 | 1/4 | + |
| Active Corp | 0.16 | 18   | 140 | 37   | 27    | 1/4    | +    | Chubb | 1    | 148   | 8      | 2     | 3    | 1/4  | +   | Radio | 0.04  | 10     | 384  | 45  | 30   | 40    | 1/4    | +     | Chubb | 0.04 | 10  | 384  | 45    | 30     | 40   | 1/4 | +    | Radio | 0.04   | 10    | 384  | 45 | 30 | 40 | 1/4 | + |
| Active Corp | 0.16 | 18   | 140 | 37   | 27    | 1/4    | +    | Chubb | 1    | 148   | 8      | 2     | 3    | 1/4  | +   | Radio | 0.04  | 10     | 384  | 45  | 30   | 40    | 1/4    | +     | Chubb | 0.04 | 10  | 384  | 45    | 30     | 40   | 1/4 | +    | Radio | 0.04   | 10    | 384  | 45 | 30 | 40 | 1/4 | + |
| Active Corp | 0.16 | 18   | 140 | 37   | 27    | 1/4    | +    | Chubb | 1    | 148   | 8      | 2     | 3    | 1/4  | +   | Radio | 0.04  | 10     | 384  | 45  | 30   | 40    | 1/4    | +     | Chubb | 0.04 | 10  | 384  | 45    | 30     | 40   | 1/4 | +    | Radio | 0.04   | 10    | 384  | 45 | 30 | 40 | 1/4 | + |
| Active Corp | 0.16 | 18   | 140 | 37   | 27    | 1/4    | +    | Chubb | 1    | 148   | 8      | 2     | 3    | 1/4  | +   | Radio | 0.04  | 10     | 384  | 45  | 30   | 40    | 1/4    | +     | Chubb | 0.04 | 10  | 384  | 45    | 30     | 40   | 1/4 | +    | Radio | 0.04   | 10    | 384  | 45 | 30 | 40 | 1/4 | + |
| Active Corp | 0.16 | 18   | 140 | 37   | 27    | 1/4    | +    | Chubb | 1    | 148   | 8      | 2     | 3    | 1/4  | +   | Radio | 0.04  | 10     | 384  | 45  | 30   | 40    |        |       |       |      |     |      |       |        |      |     |      |       |        |       |      |    |    |    |     |   |

## 4:00 pm prices February 14

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FINANCIAL TIMES

**FINANCIAL TIMES**



## MONDAY INTERVIEW

## A thinker as well as a doer

David Lascelles talks to Professor Stephen Littlechild, electricity industry regulator

One year after the UK privatised its electricity industry, much of the debate about its future takes place in a large, 15th-floor office overlooking central Birmingham.

It is occupied by a lightly built man with a russet, gnome-like beard who seldom smiles, and whose every word sounds so carefully chosen that it might have been uttered by a judge. And, in a way, a judge he is.

Professor Stephen Littlechild is the director-general of electricity supply – the man charged with the statutory duty of promoting competition in the electricity industry. The gruff set of thin lips is no accident. He is both a regulator and an academic: a thinker and a doer.

Anyone requesting a copy of his curriculum vitae is asked whether they want the long version or the short one. The long one consists of 21 pages packed with details of his degrees, fellowships, appointments, consultancies and publications. The latter range from a weighty *Elements of Telecommunications Economics* (in Japanese) to treatises on aircraft landing fees, smoking and daffodil prices.

But the short version contains the central points. Since 1975, as Professor of Commerce at Birmingham University (from which he is currently on leave of absence), Prof Littlechild has been one of the leading academics on regulation issues. He advised the UK government on the regulatory regime for British Telecom and the water industry, and was a member of the Monopolies and Mergers Commission for six years. Most significantly, he invented the formula that governs the amount by which the electricity industry can raise its prices each year. His credentials for the electricity supply job were impeccable.

What this version does not say is that Prof Littlechild is also a great believer in market forces, and as such was in tune with the 1980s when he was appointed. But he resents any suggestion that he is a product of the Thatcher years.

"The belief in the advantages of competition in satisfying the needs of customers and making companies work efficiently is centuries old," he says. "In many respects this is a fundamental part of our civilisation."

So what influenced his views? "I've always had a belief in freedom of choice, in a free society."

Some people might see a con-

tradition between this philosophy and the wielding of regulatory power over one of the UK's largest and most complex industries. But Prof Littlechild sees a clear role for himself.

Electricity was not privatised without flaws: there is insufficient competition in power generation; all sorts of barriers still prevent free competition among suppliers; and the prices of power sources like coal and nuclear are wildly distorted. The regulator has to maintain the momentum of change by opening the floodgates of competition, while ensuring the lights stay on.

Since last autumn, Prof Littlechild has issued a string of pronouncements and decisions, many of them dozens of pages long. He criticised the generating business for playing games with electricity prices, and threatened them with a monopoly referral if they did not mend their ways. He reduced some of the barriers holding back competition, and he ensured that households are rebated after being overcharged by local electricity companies.

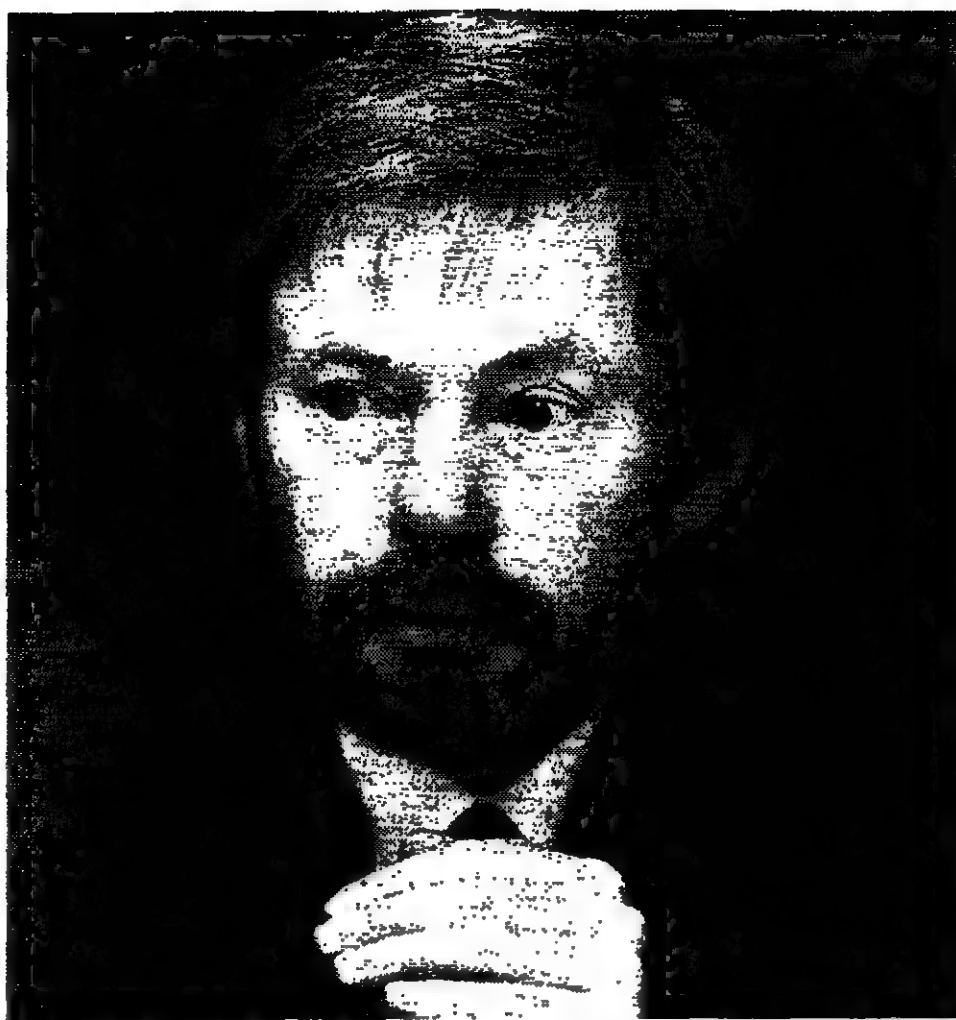
He believes in market forces, but it is too simplistic to say that they will solve all the problems," he admits. One of his worries is that the socially disadvantaged can become the victims rather than the beneficiaries of competition. So he has been tough with the electricity suppliers over disconnections, for example, when bills are not paid.

He also has his doubts whether market disciplines will push the power industry into caring for the environment; this led him to pen another lengthy paper proposing a new regime to encourage energy efficiency – by adding what he calls an "e" factor to the price formula.

This flurry of activity has not made him popular with the industry. This may be the natural lot of the regulator. But electricity executives also complain about the torrent of paper that streams out of Birmingham. They accuse Prof Littlechild of academic remoteness, of being more interested in producing learned treatises than in addressing the hard realities of the business world.

He looks slightly offended at this. "I don't think that I'm unduly academic. I try to lay out what the issues are. I try to explain my thinking and get a response. I think I have a good dialogue with the industry."

His biggest immediate challenge will be to decide what to do about the generating indus-



'I don't think that I'm unduly academic'

try in England and Wales, where the two descendants of the old Central Electricity Generating Board, National Power and PowerGen, have three quarters of the market between them. In spite of his monopoly referral threat, Prof Littlechild is keen not to cause upheaval at this early stage, because "I want to see if I can work with the industry I have inherited". He also studiously avoids accusing the generators outright of price gouging, presumably to prevent bringing the monopoly issue to a head just yet.

But he also wants to give his price formula time to work. It

## PERSONAL FILE

1943 Born August 27. Educated Wisbech Grammar School.

1964 Graduated as Bachelor of Commerce, University of Birmingham.

1968 PhD, University of Texas.

1975 Professor of Commerce and head of department, University of Birmingham.

1983-88 Member of the Monopolies and Mergers Commission.

1989 Director-general of electricity supply.

was designed to force electricity companies to keep prices below the rate of inflation, and therefore cut costs. The companies will only do this if they know the formula will apply for several years, he argues. The first price review is not due to get under way until 1994. In this respect, Prof Littlechild has been much less aggressive than his colleagues regulating the gas and water industries, who have provoked vigorous clashes with the companies in their charge.

Further ahead, Prof Littlechild is already planning the introduction of competition

down to the grass roots of the UK electricity market – the private home. He has a vision of each household buying its electricity not just from its local distributor, but from any company it chooses.

"I do believe it is both possible and desirable for competition at the domestic level. I look forward to a situation where the domestic customer can look in the Yellow Pages for a supplier of electricity like a supplier of oil."

Power companies would compete not just on price but on levels of service, availability of credit, types of billing and so on. Electricity would be sold using sophisticated tariffs giving households all sorts of options as to how and when they draw their power.

This brave new world would be based on new-fangled metering technology which Prof Littlechild has closely researched. For about £50-£80, he believes, people will be able to buy a device to measure how much electricity is used and apportion it to the various suppliers chosen by the household. It will probably be linked by radio to the supplier, which will then know exactly how much power it is supplying at any given moment.

His ideas about metering, laid out in a recent paper, have aroused interest in consumer organisations, but attracted a scornful response from much of the industry which doubts that ordinary households want such a sophisticated level of service. But Prof Littlechild argues that the industry will have to go down this route as competition spreads. "The future is going to be different, and this is what people want," he says. "The UK would be pioneering in providing such a service. A sensible timescale would be to look for full competition by the year 1996."

Prof Littlechild was greatly encouraged by the recent

Brundagebank, has a recessionary effect of its own. In the final phase of European Monetary Union, the management of a single monetary policy can be set in a broad European fiscal context, which member governments can influence through Community institutions. By acting collectively, governments will recover a degree of control over their economies, which they have lost at the national level. During the preparatory transition, by contrast, they are fiscal prisoners of a foreign central bank whose independence can also be described, literally, as irresponsible.

The phasing of ERM, as fixed in the Treaty of Maastricht, means that the transition to a single currency will take at least another five years. Well before then, there may be some spontaneous recovery in Europe, but there seems no prospect of the kind of growth which would bring a steady fall in unemployment.

The problem facing Europe's politicians is this: are they prepared to accept for another five years the consequences of a machine that produces high unemployment? The French Socialist party is about to pay a heavy price for eight years of conservative, pro-European economic policy. The big winners in next month's regional elections will not be the conservatives, but the protest parties: the National Front, the ecologists and the Communists, who will probably share 35-40 per cent of the total vote.

There are only three logical choices to opt out of ERM, to accelerate the process, or to grin and bear it. The one option which is self-defeating is mad electioneering plumbing.

## Chinks of light on the economy

Talk of "pervasive gloom" about the US economy has never been quite justified. For three years, professional forecasters have been consistently complacent. In the summer of 1990, most expected the US to avoid recession. In the spring of last year, most were confident of sustained economic growth. Last week, a rebound in department store and car sales was triumphantly seized upon as convincing evidence that recovery, at last, is at hand. Is it time to join the bulls and declare the recession history?

My initial reaction is to call for better US statistics. The preliminary figures that send ripples through global financial markets are often deeply misleading. According to last week's figures, retail sales jumped 0.6 per cent in January. Revisions to prior figures indicated that sales were flat in nominal terms in November and December, instead of down by 0.5 per cent and 0.4 per cent as previously reported. The news that sales did not, in fact, fall sharply before Christmas is welcome. But how reliable is the claim of a rebound in January? The figure for November was first reported as a gain of 0.2 per cent, then as a fall of 0.5 per cent, and, finally, as a zero change.

The ring in car sales in the first 10 days of February seems more solid evidence of recovery. But it is nothing to write home about. An estimated annual rate of sales of 6.4m units was encouraging compared with dismal expectations of only 5.8m and a 6.1m rate at the end of January. But in better times, an annual sales rate of 6.4m units would be seen as evidence of near recessionary conditions. And, as with the retail sector, the figures are notoriously volatile.

Bulls, however, will reach for the third arrow in their quiver: the recent revival of monetary growth. Bank reserves – the base for lending – have registered annual rates of growth of 20 per cent or more since last September. M1, a narrow measure of money, has grown at a double digit rate. Even M2, the targeted measure of broad money, is staging a lacklustre revival,



MICHAEL PROWSE on America

having grown at an annual rate of about 3.5 per cent in recent months.

Federal Reserve officials – at most half-hearted monetarists – are well aware that a similar revival of monetary growth this time last year fizzled out. The figures, nonetheless, help justify the Fed's "wait and see" stance on interest rates. In his Humphrey-Hawkins testimony next week, Mr Alan Greenspan, the Fed chairman, seems certain to repeat his favourite mantra: that the monetary easing already in the pipeline will be sufficient to revive the economy.

So far the nation's factories are paying scant attention. On Friday, the lift from retail sales was largely countered by far worse than expected production figures. Industrial production fell 0.8 per cent last month; and revisions – nearly as large as those for retail sales – showed falls of 0.3 per cent and 0.4 per cent in November and December. The decline was led by cars but affected every sector, from consumer goods and business equipment to utilities. The feared "double dip" recession is thus a reality for much of corporate America. It has already caused the loss of some 300,000 payroll jobs since the autumn.

Optimists are unmoved. They insist the fall in production is old news because it was a response to the weakening of demand in the final months of last year. Now that demand is rebounding, business confidence will revive and output will start growing. After a weak first quarter, the economy is thus poised for recovery

in the spring. The logic is fine. But bear in mind two important caveats. In the first place, the evidence for a rebound in demand is still tentative. More importantly, consumer fundamentals remain weak: savings rates are low, employment prospects are dicey and real incomes are subdued. Any revival in spending could easily prove to be short-lived.

In economic if not political terms, the precise timing of recovery is less significant than the medium-term outlook for growth. On this, opinions differ markedly. If you seek reassurance, the best place to look is exports. The combination of cost-cutting in manufacturing and the weak dollar has transformed the outlook for US exporters, which have been gaining market share since the mid-1980s. On some measures, German wage costs are now 50 per cent higher than America's. Far from losing competitiveness, some economists claim, US industry is actually in better shape than at any time since the 1960s. Gloom about the long-term outlook is thus badly misplaced.

Those focusing on the public sector cannot swallow this optimism. Given rapidly falling inflation, they say sharp rises in bond yields – back almost to 8 per cent – reflect growing alarm about fiscal trends. Even if congressional Democrats' plans for middle-income tax cuts are fully funded by higher marginal rates on the rich (still a big if), the outlook is for another decade of huge deficits.

These lakes of red ink represent negative public savings. The long-term consequences of low saving and investment are dire. At a recent seminar, economists at the Brookings Institute, a Washington think tank, argued that the US economy's sustainable growth rate may now be only a miserable 1.7 per cent a year. Yet the chances that politicians of either party will take serious steps to improve productivity growth remain depressingly slim. In my book, therefore, the bears still have the best of an increasingly complex argument.

## A world of mad plumbing

Some years ago, my family and I, together with another family of close friends, spent a summer holiday in a rented villa in southern Italy. It was a wonderful place right at the top of a steep hill, quite private, very slightly breezy and much cooler than the baking beaches far below.

There was just one drawback. Since the month was August, there was too little water, and almost none of that little reached the top of our hill. Down below, near the baking beaches, the Neapolitan masses splashed themselves and even their cars with reckless abandon; whereas we, in our superior eyrie, remained hot, bothered and dirty.

A desperate situation called for desperate efforts. So when the womenfolk set off down the hill with the children to enjoy the baking beaches and the company of the Neapolitan masses, we menfolk climbed to the attic with lengths of plastic piping in the hope of improving the water supply. We laboured at this task for several days, but of course we did not make any difference at all.

Nothing has remained so much of those long and fruitless sessions with the hosepipe as the strange spectacle of the general election campaign now on view in Britain. The deadlock in the opinion polls suggests an electorate divided between black cynicism and weary incredulity. But the politicians, enclosed in their world of mad electoral plumbing, continue to tout their frenzied schemes for tinkering with the structures of state.

This one proposes to insert a pipe at the higher tax bracket and connect it to the family allowances lower down. That



IAN DAVIDSON on Europe

one promises to disconnect the filter on National Insurance contributions and lay a pipe line across to the National Health Service. A third, with a T-joint at the petrol tax, would make a diversion into road building. All this, of course, in the belief that a few lengths of electoral piping will turn a trickle of votes into a flood.

The performance is absurd and, worse, dated. Some will cringe at the manifest intention to bribe the electorate. The day Mr John Major's office promised there would be no electioneering Budget was also the day it spoke about a cut in income tax. We may regret that politicians make their way by siphoning money out of the pockets of their adversaries into the pockets of their friends, but that is their trade.

But it is the intellectual self-deception which is most discouraging, as if the politicians' mad plumbing could increase the total flow of economic resources. Everybody knows that Britain's macro-economic policy is now largely defined by the objectives of the European Monetary System. This should mean the beginning of a greater political con-

sensus. Yet British politicians continue to offer their patent economic nostrums, like throwbacks to a Keynesian time-war of 30 years ago.

In this respect, as in so many others, Britain and France seem to exist in different periods of history. In 1984, France moved over to an anti-inflation policy of monetary and budgetary restraint, in explicit acceptance of the logic of the EMS, and since then there has been no serious macro-economic policy by the mainstream parties on either the left or the right.

The most controversial issue used to be the debate over whether to privatise state-owned companies; but even this ideological argument has lost its excitement, since the Socialists now admit the principle of partial privatisation.

Naturally, the Socialists are unhappy about the level of unemployment; as well they might be, because it will lose them the next election. But no mainstream politician of any weight promises to perform a macro-economic conjuring trick with a couple of yards of electoral tubing. Nor do they propose a significantly different macro-economic policy, to get faster economic growth and lower unemployment, because they all accept the over-riding logic of the EMS.

Perhaps they are wrong. Perhaps politicians have a public duty to challenge the logic of the EMS as it is currently operating – that is to say, as a machine for low growth and high unemployment.

To be sure, the international environment is going through a recessionary phase, with a corresponding knock-on in Europe; but the passive logic of the evolving EMS, as it is run by

the Bundesbank, has a recessionary effect of its own.

In the final phase of European Monetary Union, the management of a single monetary policy can be set in a broad European fiscal context, which member governments can influence through Community institutions. By acting collectively, governments will recover a degree of control over their economies, which they have lost at the national level. During the preparatory transition, by contrast, they are fiscal prisoners of a foreign central bank whose independence can also be described, literally, as irresponsible.

The phasing of ERM, as fixed in the Treaty of Maastricht, means that the transition to a single currency will take at least another five years. Well before then, there may be some spontaneous recovery in Europe, but there seems no prospect of the kind of growth which would bring a steady fall in unemployment.

The problem facing Europe's politicians is this: are they prepared to accept for another five years the consequences of a machine that produces high unemployment? The French Socialist party is about to pay a heavy price for eight years of conservative, pro-European economic policy. The big winners in next month's regional elections will not be the conservatives, but the protest parties: the National Front, the ecologists and the Communists, who will probably share 35-40 per cent of the total vote.

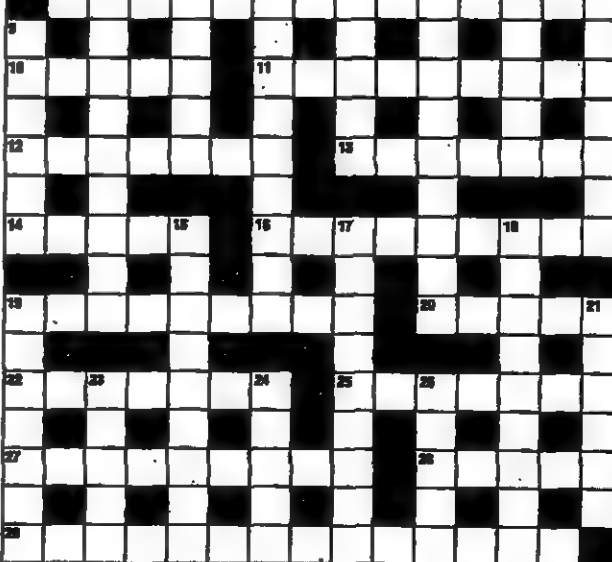
There are only three logical choices to opt out of ERM, to accelerate the process, or to grin and bear it. The one option which is self-defeating is mad electioneering plumbing.

Now in just 2 hours. Over a clear, fly upper class to Boston before April 20th and we'll give you 2 economy tickets free. Easy, eh? So what's the mystery? Call 800-547-747.

**JOTTER PAD**

## CROSSWORD

No. 7,775 Set by DANTE



- 1 (8,5) ACROSS
- No right to praise new colour (5)
  - Knock around with a chap with a title (5)
  - How to terminate the class system? (5,2)
  - Persist in the conviction of clergymen (7)
  - Light cutting instrument (5)
  - Prepare the duvet for a makeshift bed (5)
  - Units seen in one eastern country or another (5)
  - Silence shows fibre when in trouble (5)
  - But Arctic fur doesn't come from it (7)
  - Dingy church has a place in modern history (7)
  - There's no end of cats here (4,3)
  - Bearded doctor looks haggard (5)
  - Birds skipping over the water (5,3,6)
- 2 DOWN
- Forced to go into service and deeply affected (5)
  - Opening joke (5)
  - Possibly pots palms for brightening up the street? (4,5)
  - Hastily made and hoisted a flag (3,3)
  - Marching men, perhaps (5)
  - The main comings and goings (5)
  - Catches, as one comes drunkenly home (5,2)
  - Is the first murder victim a girl? (5)
  - Rush over to meet (3,5)
  - Deserted, being completely irresponsible (5)
  - Stubborn stain to be removed (5)
  - Suggested one politician was untruthful (7)
  - Enjoying favour (5)
  - Shrew, one that's in rising demand (5)
  - Famous Athenian doctor in the money (5)
  - Help on upstanding girl (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 1.

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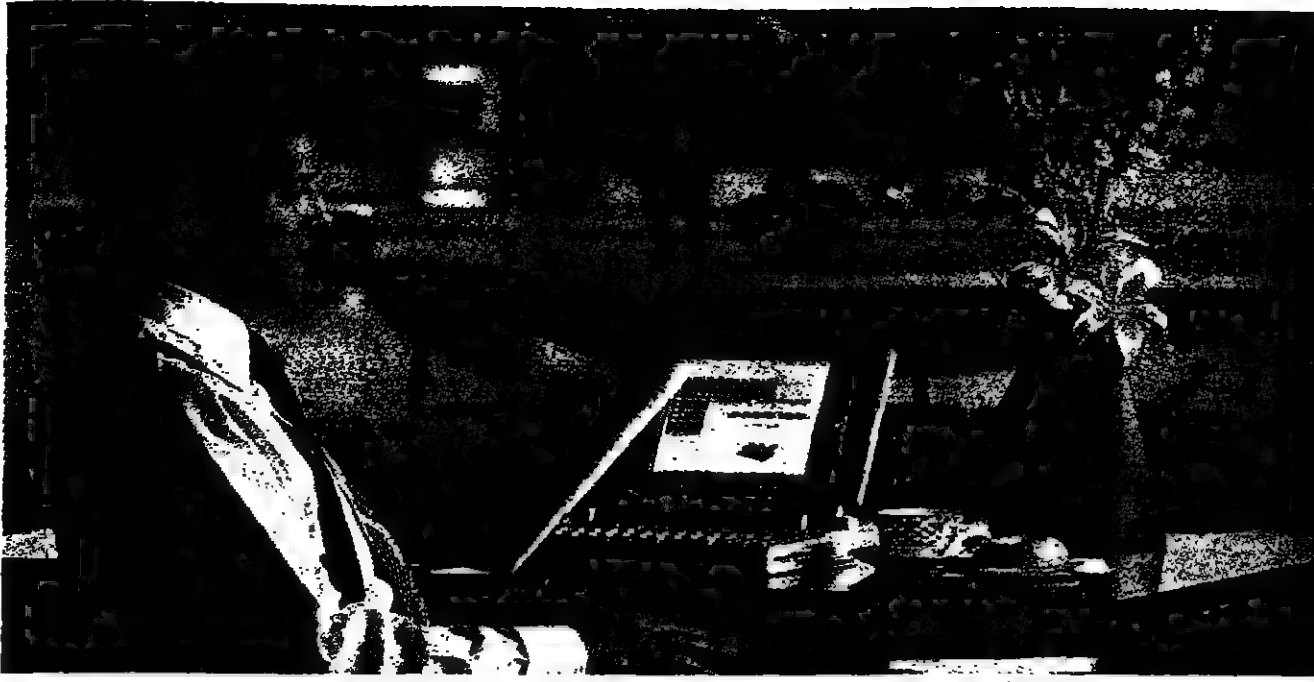


February 17 1992  
Light  
omy

# PORTABLE COMPUTERS

SECTION III

Monday February 17 1992



Left: Zenith's MastersPort 386SL notebook computer; and right: Oric's new 486 notebook with removable hard disc, offering benefits of security and freedom to upgrade storage capacity.

Now the line between portable and notebook computers is hard to draw, says Alan Cane

## Manufacturers' motto is 'smaller, faster, lighter'

PORTABLE computers are now set to play a central role in the fast-moving drama that is the world computer industry. The evidence can be seen in the wide-ranging deal struck last month between International Business Machines, the world's largest computer manufacturer, and Groupe Bull, the French national computer champion. Included as one of its more important provisions is an agreement for Bull to supply IBM with a substantial number - perhaps up to 100,000 a year - of its Zenith Data Systems (ZDS) portable computers. ZDS, bought by Bull two years ago, is, along with Toshiba of Japan, a pioneer in portable computing.

The deal also provides for IBM and Bull to work together on the future development of Zenith's portable machines. IBM, is the world leader in desktop personal computers, but it has a dismal record in portables, where innovation counts for more than market muscle.

Toshiba is the market leader in portables outside Japan. The deal

with Bull, therefore, plugs an important gap in IBM's product line while providing a welcome source of extra volume for the French company's manufacturing facilities.

Further evidence comes from Apple Computer, the world's second largest PC company. It moved last year into "notebook" computers, lightweight computers capable of being carried in a briefcase, and sold 100,000 of its PowerBook systems in the first three months of its fiscal year. The result was earnings well above market expectations.

If further proof was necessary, newcomers to the market are electing to make portables rather than any other kind of personal computer. An example is Nippon Computer Company, a subsidiary of the Japanese giant, Nippon Steel.

It is manufacturing notebook computers only, arguing that is the fastest-growing segment of the market place.

It is also marketing its products outside Japan for the time being, hoping to build a solid market base in the West before tackling the

world's most competitive notebook market.

What, these days, constitutes a portable computer? In the 1970s and 1980s, it was a machine that could be transported safely in a car boot. Compaq Computer of the US pioneered many of the design and manufacturing technologies that made it possible to lug around several kilograms of delicate electronics without damage.

The introduction of notebook machines, courtesy principally of Japanese manufacturers, capable of being carried in a briefcase, but featuring a full-size screen and keyboard, changed that perception of portable machines.

Now the dividing line between portable and notebooks is difficult to draw. Performance is similar - both operate off either mains power or batteries.

Both have full-sized screens and fully-featured keyboards. Both use the most powerful microprocessor chips available with memory capacity to match. The motto for computer manufacturers has become

"smaller, faster, lighter." It is however, easier to distinguish between notebook computers and the latest variety of portable machine to attract attention: handheld, palmtop or pocket computers.

These are more versatile than electronic organisers of the Sharp IQ variety, and more sophisticated than handheld terminals.

Among the manufacturers of pocket-sized computers are Psion and DIP of the UK, Hewlett-Packard of the US and Poquet, a California-based company in which Fujitsu of Japan has a substantial stake.

They offer many of the functions found in full-sized PCs of IBM design. The best-selling Hewlett-Packard model, for example, takes the user into the Lotus 1-2-3 spreadsheet with a single keystroke.

The problem with all handhelds, however, is the miniature keyboard which makes touch-typing virtually impossible, and the small screen. Based on the best liquid crystal technology, these screens nevertheless

cannot match a back-lit display for legibility.

Handheld computers can have important roles in business (for example, Gallaher's use of Victor machines, see page six in this survey), but the future of portable computing seems to lie with notebooks. These light, powerful machines are winning the fight for the hearts and minds of computer users, but the battle for their pockets is proving stiffer.

Like the rest of the computer industry, the portable sector has been hit by the recession in the US, parts of Europe and Australasia and by plummeting prices. Even the once-booming Japanese market has lost some of its bounce.

The result is that explosive rates of revenue growth predicted for most areas of the portable market were not sustained through 1991.

The market for notebook machines, for example, which some thought would grow by 80 per cent last year grew only about 40 per cent, according to data from IDC Europe. It suggests the overall mar-

ket for portable machines in 1991 was 3.8m units and that the overall market grew by 39 per cent between 1990 and 1991.

Accurate numbers are hard to come by in the computer business, however. There is, for example, wide variation between IDC's calculations and those of Market Intelligence Research (MIRC).

Portable makers are, however, optimistic that there is substantial pent-up demand for their products and believe that if the economic gloom lightens, they will see substantial growth through to 1993.

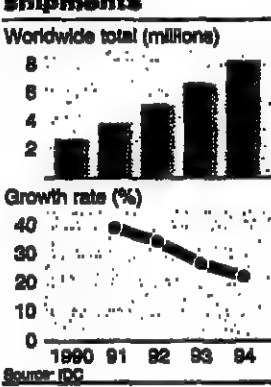
Their optimism is justified by the fact that that portable computers seem to be putting the "personal" back into personal computing. A key element of the PC revolution was the freedom from dependence on the data centre that it gave individual users. Now users are seeking freedom from the physical restraints of a desk-bound machine. The breakthrough has come about through a series of advances in technology which have made it possible to build

### IN THIS SURVEY

- Japanese suppliers: High potential in Japan's home market spurs research in portable computer technology.
- US manufacturers: Dozens of clone-makers enter the fray.
- Related surveys: Details of the FT's 1992 programme of computer-related surveys. Page 2
- European markets: Notebooks set to claim the lion's share.
- Computer distribution: Pressures force changes in distribution methods. Page 3
- Software: Many innovative products.
- Power management: The quest for longer battery life. Page 4
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- Pen-based systems: Optimistic forecasts. Pages 6 and 7
- New arrivals: A review of the growing array of models available and who uses them. New applications in business. Pages 8, 9 and 10

Editorial production: Michael Willshire

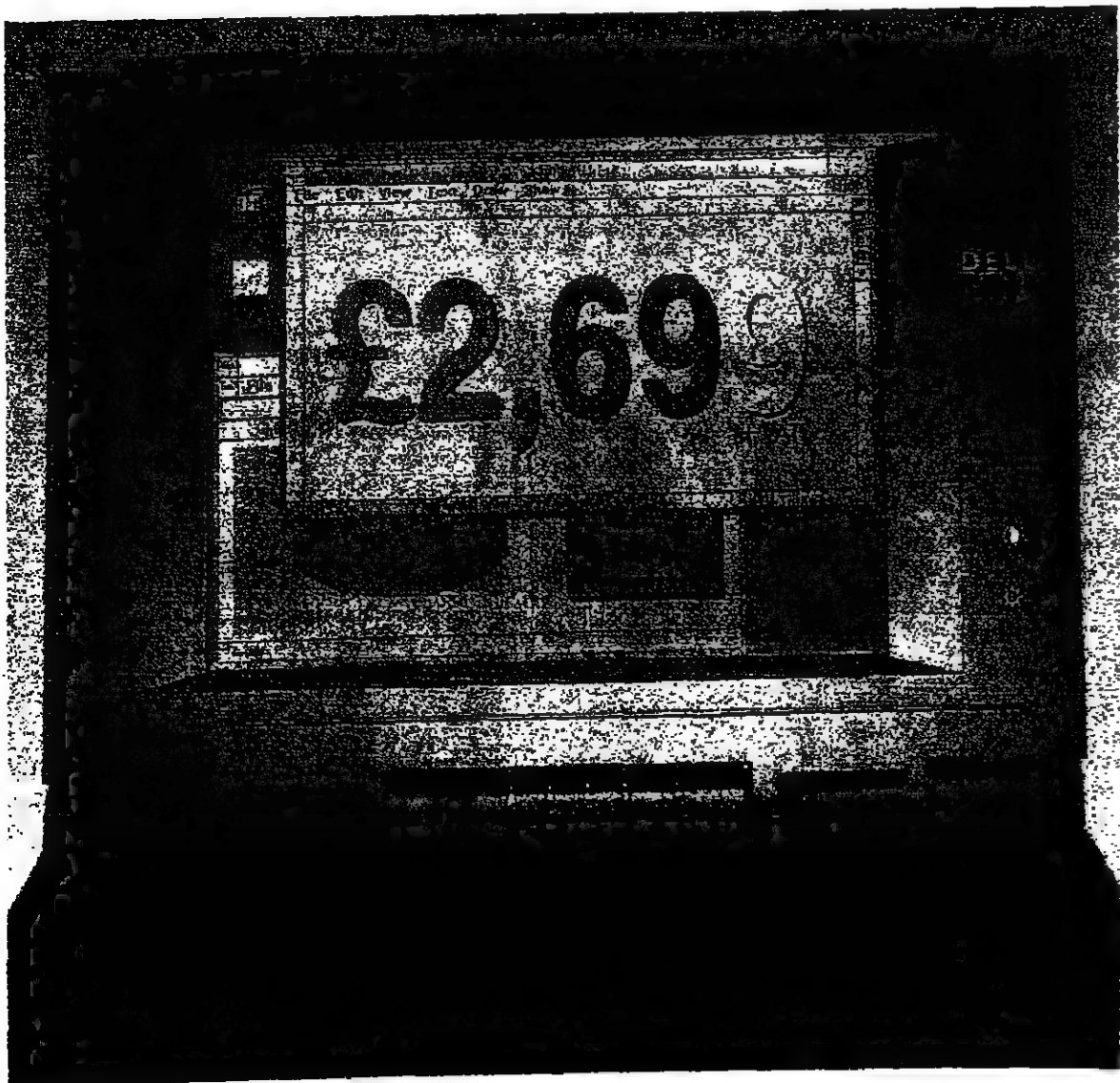
### Portable PC unit shipments



Source: IDC

Continued on next page

# DELL PROUDLY ANNOUNCE AN EXTREMELY SMALL BREAKTHROUGH.



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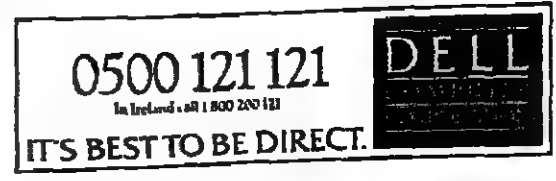
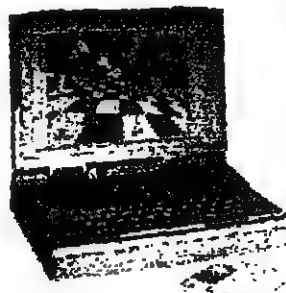
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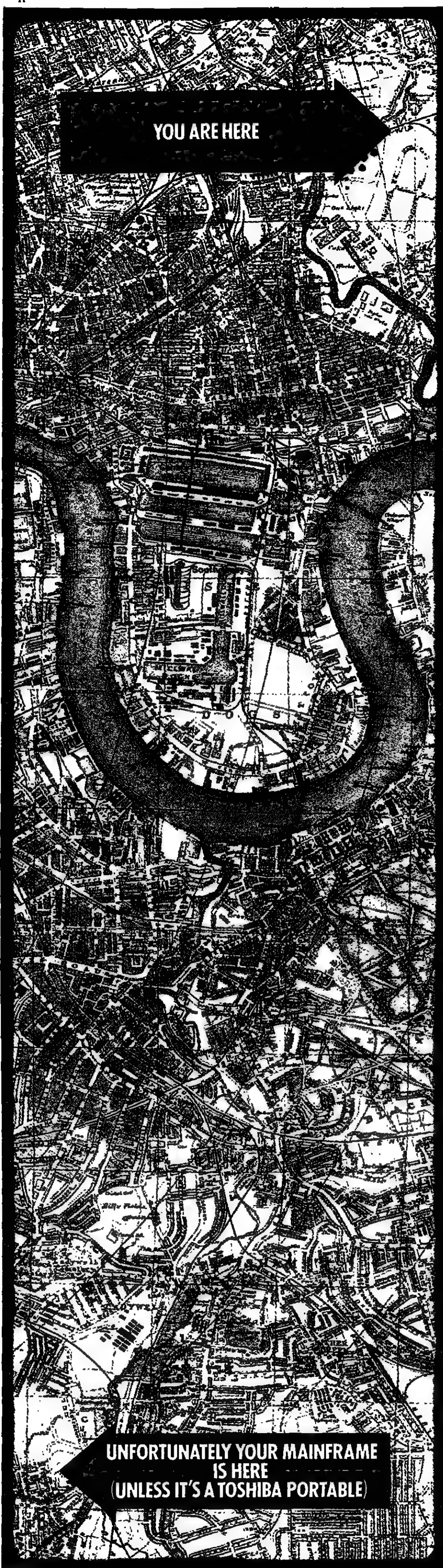
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## PORTABLE COMPUTERS 2

The large potential market for portable computers in Japan may provide the 'home platform' for manufacturers to make an even bigger impact in world markets, says Steven Butler

# Strong stimulus for further research in Japan

**T**HE international success of Japan's portable computer makers is an anomaly.

In nearly every industry in which Japan has made an international impact, from cars to television sets, Japanese manufacturing companies have first established successful products in the home market. With the home base secure - often effectively closed to foreigners - and products well tested, they moved overseas, modifying products only slightly and achieving greater economies of scale in manufacturing.

In portable computers, however, the pattern was reversed. Toshiba, formerly an also-ran in the Japanese computer market, in the last decade established a big presence first in Europe with its innovative IBM PC-compatible laptop computers, then in the US, and finally in Japan.

It was Toshiba's experience overseas that helped it crack the Japanese market, where it now claims up to a third of portable computer sales.

Toshiba's experience is a reflection of the broader strengths and weaknesses of the Japanese portable computer industry. While Japanese PC-makers have built a strong presence in the international market for portables, they have not, as in some other industries, simply smashed the competition.

Japan's technology for making computer hardware may be second to none, but for the

export market Japanese makers still depend on foreign-designed operating systems and software that have not yet caught on fully in Japan itself.

Japan therefore has not provided the kind of secure and stable market for computers that has supported other export industries.

Indeed, Toshiba faces a constant struggle to maintain its market share everywhere. It is sometimes trumped by a new product offered by Compaq.

**NEC believes that only 20 per cent of potential demand for portable computers in Japan has so far been taken up**

overseas, and in Japan it has failed to keep NEC, Japan's biggest PC-maker, out of its established territory in the portables market.

While Toshiba enjoyed a 43 per cent share of the laptop and notebook computer market in Japan in 1989, this fell to 33 per cent in 1990, although its Japanese sales grew by 26 per cent to 250,000 units.

In the current fiscal year, to the end of March, its market share is thought to have fallen again, with sales projected at 225,000 units, according to the company.

In contrast to Toshiba's experience, NEC, the model-challenged champion of the Japanese market with over 50 per cent of desktop and portable

PC sales, has made little impact overseas in PCs.

NEC has been handicapped outside Japan by the lack of an internationally accepted computer operating system.

NEC uses a proprietary Japanese language system that accounts for about 60 per cent of the Japanese market (including sales by Seiko Epson of compatible machines), but is completely useless overseas. The option of simply exporting what succeeded in the home market therefore never existed.

NEC's domination of the home market has been eyed enviously by every other manufacturer, from Toshiba and IBM to Apple. Last year, IBM led 22 other computer companies in establishing a common operating system in an attempt to spur sales.

The system, DOS/V, is a derivative of the MS-DOS operating system used in IBM PCs worldwide. It can run software written for IBM PCs and also handle Japanese language applications.

While the new operating system may eventually provide a stronger platform for the Japanese makers, it also provides an opening in the market for foreign makers who now need to make few adaptations to their machines to make them saleable in Japan.

IBM has aggressively marketed in Japan its PC/586 notebook computer, which uses DOS/V operating system. Compaq is planning to boost its presence in Japan.

Apple, whose sales of desk-

top machines in Japan have been rapidly growing, has also made a successful launch of its Powerbook notebook computer, which is manufactured by and designed jointly with Sony.

And yet, in spite of all of this activity that challenges NEC, NEC's PC 9800 series computers so far appear unstoppable. Competitors admit that NEC's share of the market for portable computers continues to grow. According to NEC, its

**Full-sized desktop machines are often difficult to accommodate in crowded Japanese offices**

share of all PC sales now comes to 53 per cent, including 38 per cent of laptops, and 37 per cent of notebooks in the first half of 1991.

With 4.86m PC 9800 series computers already delivered to the market, many customers are readily returning for smaller, more powerful versions of the same machines so they will not have to scrap old software and programmes. And while Toshiba was a leader in introducing powerful computers in a small package, the lead has now basically vanished.

Toshiba's main selling point is that users will have instant access to an international body of software. Yet for most users, the 12,400 software packages available for NEC computers,

plus the cost of switching operating systems will be enough to keep them buying NEC products. The good news for all the companies is that there is plenty of growth left in the market since the penetration of PCs in Japan has been much lower than in Europe or North America. NEC, for example, believes that only 20 per cent of potential demand has been taken up so far.

The stunning improvements in the capabilities of notebook computers since they were introduced a few years ago has in itself been an important stimulant to demand in Japan. This is because full-sized desktop machines were often difficult to accommodate in crowded Japanese offices.

In spite of the poor economic climate, domestic PC shipments were up four per cent in the six months to the end of October, while the market share for notebooks computers rose from 28.4 per cent to 31.1 per cent.

Even though demand has probably fallen in the subsequent months, the prospects for further growth in the portable end of the market will provide plenty of stimulus for computer companies to continue research into areas where they are already strong, including LCD displays, memories, miniature disk drives, batteries and miniaturisation in general.

The Japanese market could yet provide the platform these companies need to make an even bigger impact overseas.

Dozens of clone-makers enter the fray, reports Louise Kehoe

## US notebook market surges ahead

**P**ORTABLE personal computers are one of the few bright spots in the recession-plagued US computer market. While sales of most types of computers have stagnated since the last boom, demand for light-weight, carry-along portables is growing apace with the introduction of dozens of new "notebook" models driving market growth.

After disappointing sales in 1990, when shortages of disk drives, flat panel displays and semiconductor chips stunted market growth, US notebook computer sales took off last year, rising to an estimated 1.4m units.

By the mid 1990s, annual US portable computer sales could rise to 3.2m units according to International Data Corporation market researchers. However, the notebook computer market is not recession-proof. Although sales volumes are growing, prices are falling precipitously.

Dozens of "clone" makers, searching for more profitable ground as desktop personal computer prices plummet, have entered the notebook computer market offering lower-cost alternatives to the brand-name products that until recently dominated the field.

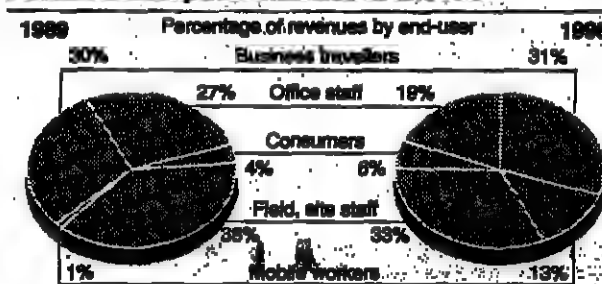
Apple Computer which entered the notebook computer market just four months ago, has the model that makes the performance and features of competing products.

IBM also has agreed to resell portable computers manufactured by Zenith Data Systems, a unit of Groupe Bull as part of its technology sharing pact with Bull.

IBM's entry comes as the focus of the notebook computer market is shifting from the individual purchaser to corporate buyers.

Like their desktop predecessors, notebook computers were first adopted by

Portable computer market in the US



Source: IDC

to well under \$2,000. Early market leaders in the US portable computer market have been Compaq Computer and Tandy of the US, the Zenith Data Systems division of France's Groupe Bull, and Japanese makers Toshiba and NEC.

Over the past year, however, some 40 or more computer companies launched new portable computer products in the US intensifying competition and driving down prices.

Sitting strangely on the sidelines of the notebook computer market is computer giant International Business Machines. After several failed attempts to penetrate the portable computer market IBM is expected to launch its first "true" notebook computer later this month with an aggressively priced model that matches the performance and features of competing products.

IBM's entry comes as the focus of the notebook computer market is shifting from the individual purchaser to corporate buyers.

Like their desktop predecessors, notebook computers were first adopted by

computer enthusiasts and then by those who recognised their value as a business tool. Now numerous US companies are equipping their field personnel - sales and customer service representatives - with notebook computers.

Large-volume contracts to supply these machines are coveted by all manufacturers and deep discounts on list prices are typical.

Even as the pricing patterns of the portable computer market are aligning with those of the more mature desktop market, technology advances are creating opportunities for portable computer makers to differentiate their products and avoid the low-margin "commodity" product trap.

Flat panel display technology, for example, is rapidly evolving to create crisper, colour, high resolution screens for portable computers. Flash memory chips are emerging as a compact and more rugged alternative to magnetic data storage technology-based disk drives.

Power management technology is another area in which computer makers find room to differentiate one notebook computer from the next.

Compaq Computer's latest offerings in the notebook computer category, for example, focus upon the pressing

demand for prolonged battery life.

Compaq has developed a patented low-power backlighting system for the computer display, normally 256 million colours, which uses a notebook computer. The Compaq lighting system saves up to 50 per cent of the power consumed by earlier display designs.

Semiconductor technology advances are also contributing to the effort to reduce power consumption and extend battery life. The portable computer of the future will incorporate "wireless communications" according to many industry experts.

Among US computer manufacturers, Apple Computer is actively pursuing this trend. Last year, Apple filed a patent with the US Federal Communications Commission (FCC) that, if approved, would let computers transmit and receive information over radio waves instead of through a wired network.

Miniaturisation of the personal computer has not stopped at the 4 1/2 to 7 1/2 "notebook" size.

A new category of personal computers that is beginning to show promise is the hand-held or pocket computer. US industry leaders in this emerging market include Hewlett-Packard and Pocket Computer.

On the horizon is yet another new type of portable computer known as slate computers. These notebook-sized devices will replace the familiar keyboard with an electronic pen. The user will simply write on the "slate" or point to icons to select functions.

Numerous applications are envisaged for these pen-based computers among people who do much of their work while standing or moving around.

Doctors and nurses might use them to update patients' notes or order tests, for example. Software that enables the computer to interpret handwritten notes has been developed by Go Corporation, a California start-up.

Microsoft, the leading supplier of PC software, is also developing handwriting-recognition software that could be used as an extension of its existing PC operating systems. Grid Systems, one of the pioneers of the portable computer market, offers a slate computer with handwriting recognition capabilities.

IBM and Apple Computer have both expressed great interest in the potential for this new technology. Market researchers at BIS Strategic Decisions predict that sales of slate computers will top \$1.5bn by 1995 and could become a \$7bn market by the end of the decade.

## Advances in technology

Continued from previous page portable machines without serious compromises over performance or price.

Where a combination of portable and desktop computers is essential, there are docking pods, desktop units to receive the portable processing unit providing it with better screen, keyboard and communications with other computer systems.

There are a couple of caveats: there is some way to go in power management techniques and the development of full colour, high definition screens before portable computers will be the equal of desk-top machines.

High definition liquid crystal colour screens are already available, but in small quantities. They are complex to manufacture. Yields are low - less than 50 per cent, at times - and prices are high. Amstrad of the UK, one of the first of the low-cost suppliers to realise the growth potential in portables sells its ACL 386SX for

\$3,999 in the UK. Sharp's equivalent is \$5,995; Toshiba's is \$5,450. There is a market where conventional IBM clones can be had for £1,000 or less.

Battery technology, despite research which has made possible nickel-metal-hydride and lithium batteries as a potential replacement for the common used nickel-cadmium cells, is advancing more slowly than any other aspect of portable computing.

The most promising technique to data has been power management - controlling software which switches off the power to any part of the computer not actually being used. Rotating disk drives and illuminated screens soak up power rapidly, for example.

The performance of the tiny disk drives found in portable computers has improved remarkably.

IBM, for example, has developed a 3.5 inch drive which it calls "Coursair" capable of storing a gigabyte (billion bytes) of

data. In a short time, the 60 megabyte (million bytes) drives commonly found in today's portables will look like museum pieces.

Rotating magnetic memory, however, may well give way to "flash" or "solid state" semiconductor memory which retains information stored in its circuitry even when the power is switched off. Flash memories can easily be programmed and erased.

Intel of the US, the world leader in flash memory has recently signed an agreement with Sharp of Japan to develop jointly succeeding generations of flash memory chips.

Announcing the deal, Mr. Richard Pashley, Intel's general manager, looked forward to a portable computer less than an inch thick and weighing only about 250 grammes. At a price of \$200 and with a 200-hour battery life, he thought such machines would be available by the end of the decade.

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## PORTABLE COMPUTERS 3

## THE EUROPEAN MARKET

## Notebooks claiming lion's share

EUROPEAN companies have still to make much of a mark in the fastest growing segment of the personal computer market.

Some 45m personal computers should be installed throughout Europe by 1994 of which almost 20 per cent will be portable, according to the market research consultancy, Romtec; and notebooks will account for 73 per cent of the portable market, equivalent to about 6m units.

Mr Bolko Kast, marketing executive director for Siemens

Nixdorf's reseller division, argues that notebook machines are already claiming the lion's share of the portable market and will soon, through superior ease of use, put paid to the bulkier laptop machines.

But the world and European leaders in portable machines are the same: Toshiba of Japan, Compaq of the US and Zenith Data Systems, a US company now owned by Groupe Bull of France.

European-owned companies may have a strong presence in their home markets, but it is

not reflected across the continent.

Amstrad, for example, leads the UK laptop market with a 32.5 per cent share by volume ahead of Compaq with 18.5 per cent and Toshiba with 17.5 per cent according to the latest figures from Romtec. (By value, Compaq leads and Toshiba is in second place).

The challenge to European-owned suppliers, however, remains to learn to compete with the major US and Japanese producers.

And they will be fighting on their own territory. Toshiba not only sells computers in Europe, it manufactures there as well. Its Regensburg, Germany, production facility makes about one third of the Toshiba portables sold in Europe.

The company's investment in the Regensburg plant now comes to about DM80m; it has just begun production of printed circuit boards there.

The plant includes research and development facilities. According to Toshiba, "by situating such research and development departments directly in Europe, Toshiba has made sure that despite recent pressure in the portable market, it will continue to retain leadership of the European market in terms of technology as well as market share."

Compaq has been manufacturing systems for European distribution since 1988 at its 530,000 sq ft manufacturing plant at Erskine near Glasgow in Scotland.

It makes its most advanced portable computers there, partly, it seems to avoid onerous US duties on "active matrix" colour flat panel displays.

The US government's decision to place a duty on the expensive TFT colour displays gives Compaq and other US manufacturers of high performance laptops a curious problem.

The duty, designed to protect a handful of US manufacturers of similar displays, applies only to separate displays.

It does not apply to complete systems. If a display fails, the company would have a dilemma. Whether to ship the machine out of the country to replace the faulty part, or simply to replace the whole machine so great would the cost be to import and fit a new display.

## European makers' best hopes may lie in niche markets, says ALAN CANE

The problem has an echo in the 14 per cent duty charged on semiconductors imported into Europe.

Organisations like the European Association of Manufacturers of Business Machines and Information Technology (Eurobit) argue that the duty is damaging European competitiveness, adding an average 2.5 per cent to manufacturing costs.

Semiconductors can make up to 60 per cent of the total cost of a personal computer or workstation. Eurobit is asking for the duty to be abolished, arguing it reduces investment and the competitiveness of European manufacturers.

What prospects are there for European-owned makers? There is no shortage of innovation. The UK company DIP, whose handheld miniature computer is the basis of the Atari Portfolio, showed that, as did Psion with its notebook-style Mobile Computer.

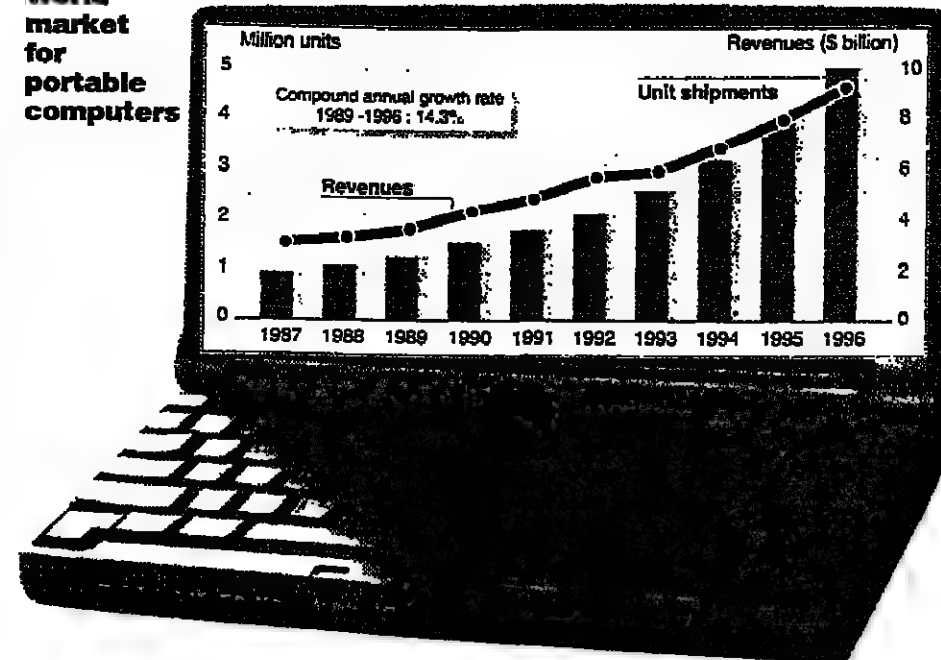
Both companies may have been somewhat ahead of the market. Psion, in particular, was unfortunate in failing to co-ordinate the launch of hardware and software for the Mobile Computer. The result was a missed window of opportunity. Psion is now concentrating on its core expertise in handheld devices for personal and commercial use.

Innovation in personal computing is, however, rapidly giving way to standard technology - microprocessors from Intel, operating software from Microsoft, tiny but high capacity disk drives. The secret of success is volume production and effective distribution.

Groupe Bull of France bought its position in portables through the acquisition of Zenith Data Systems of the US; the company has since suffered from distribution difficulties and from declining sales in the US.

A deal with IBM giving Bull access to IBM technology in

## World market for portable computers



Source: Market Intelligence Research Corporation

exchange for equity and a promise to take substantial numbers of Zenith portables may prove a turning point for the company.

Olivetti of Italy designs and manufactures laptop and notebook computers through its Triumph Adler subsidiary.

Features include a common "docking station" - a desk-top unit into which portable computers can be fitted to give communications and other facilities. There is also an integral mouse pad to drive the screen pointer. The Triumph Adler machines are sold under the Olivetti label but also under the DEC logotype in Europe. Philips of the Netherlands retained its personal

computer interests when it sold most of its computer business to DEC last year. Now, according to the market research consultancy Dataquest, it is fifth in Europe in notebooks. It is also a pioneer in systems which substitute input by finger or stylus for conventional keyboards. It intends to announce a product using this technology before 1993.

Siemens Nixdorf announced a high end notebook computer at the end of last year; it has been working with Matsushita of Japan to develop what Mr Kast of Siemens Nixdorf describes as a "mobile desktop" - a docking unit in which the notebook machine can be securely locked to prevent

theft. Mr Kast believes that this kind of computer system will eventually replace conventional desktop computers.

Europe's best hope may lie in niche markets. The UK company Husky, for example, specialises in ruggedised handheld computers for use in the field. The Prudential has bought 7,500 to equip its field sales force.

Logitech, an international company with its headquarters in Switzerland, is developing devices to humanise the computer; it markets a range of mice and trackballs specially suited to portable computers. It claims its "Trackman Portable" mouse is the most ergonomic available.

## COMPUTER DISTRIBUTION

## Pressures force changes

THE RECENT tumult in the computer industry has taken its toll on those who distribute their products and many small retailers in the UK have gone to the wall in the current recession.

While the market for personal computers was flourishing, the manufacturers did not pay undue attention to the means by which their products were distributed. Now that the market has become even more fierce, such competitive factors have grown greatly in importance. The computer distribution market looks ripe for change.

Some computer manufacturers such as Dell, the US group which also has a strong presence in Europe, have moved to supply products direct to the end-user themselves. The company argues that by being responsible for the

distribution of its products, it can offer greater flexibility and improved levels of service. But other forms of distribution, such as superstores and mail order look set to account for a growing proportion of computer sales.

At present, however, the market for portable computers in the UK still remains largely in the hands of distributors and dealers, although it is not as yet a highly profitable segment of the personal computer market.

Toshiba claims it has seen two developing trends in the market for portable computers - "the first is a move towards mass merchandising. As the price of portable computers diminishes, they are increasingly being sold through computer superstores and mail order outlets," it says.

The second development is that value added resellers (Vars) - which sell individually-tailored hardware and software packages to companies - have also seized a growing slice of the market for portable computers.

"The value added resellers (Vars) are becoming more important in selling an integrated solution as the portable computer increasingly becomes a component of a company's IT strategy," Toshiba says.

The value added resellers are selling a business solution rather

than a box. Big insurance companies, for example, are buying portables for use by on-the-road salesmen to give immediate quotes. Such portables are often supplied by the value added resellers who design specialist bespoke software needed to run the sales programmes.

Mr Jan Murray, who runs Vision Technology, a computer mail order company which last year opened the first computer superstore in Europe under the logo PC World, concurs with Toshiba's interpretation

of the main trends in the market.

"I would say that portable sales are definitely growing compared with other forms of computers. But we have found that it has become a commodity market very, very quickly. Prices are coming down a lot faster than people thought and a lot of manufacturers who piled into the market have found that they have had to reduce prices to maintain market share," he says.

His company has reported buoyant sales of portable computers

both through its superstore and on its mail order side but he argues that the market is swiftly changing.

He detects a rapid move towards the notebook computers - "laptops are already becoming seen as old technology," he says.

PC World, which is run from a 30,000 sq ft site in Croydon, south London, sells mainly to small and medium-sized businesses but is also selling direct to individual business executives.

"If you are of a certain status, then you are likely to buy a machine to use in conjunction with desk top machines," Mr Murray says.

He claims that PC World is performing well and that the superstore concept will be extended this year. He plans to open a second

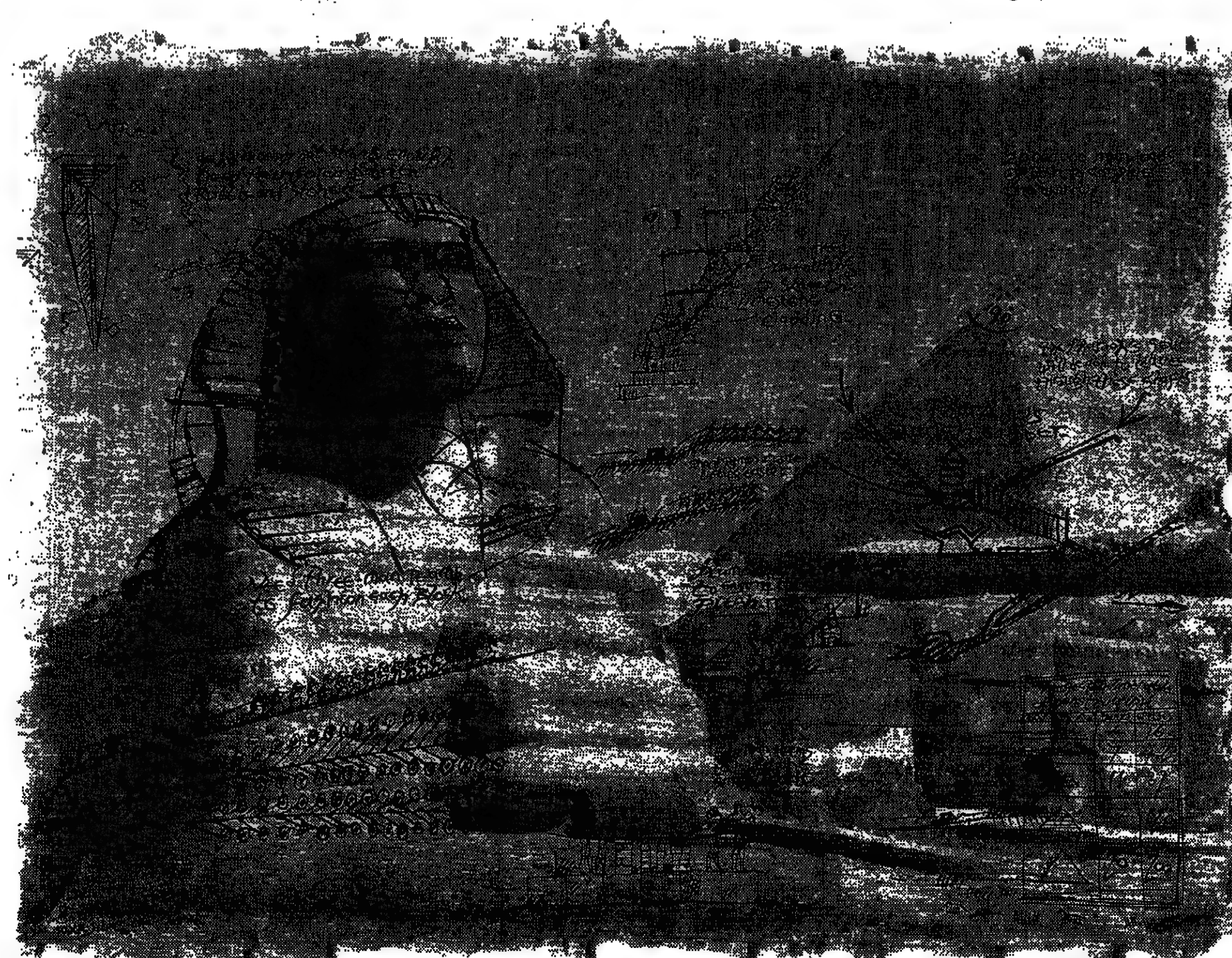
store in the Brent Cross area of north London at the beginning of May.

But the consumer market for portable computers is generally proving a difficult one to crack. Mr Alan Dickinson, buying director for Dixons, the UK's biggest electrical retailing group, says that the growth rate for mobile computers has not matched the early projections.

Dixons sells most of its mobile computers, ranging from £599 upwards, to individual consumers or small businesses. But he claims there is still considerable resistance to their high price, which can be 30 to 35 per cent higher than desktop computers with identical functions.

John Thornhill

## There's no riddle when you know how.



The puzzling pyramids.  
Only one group of people has ever fully understood their geometry, design, construction.  
The architects who built them.  
But then that's true of anything.  
Take a thriving company, a market leader.  
Only a few people fully understand why it's successful. The architects of that success.  
Imagine getting hold of their knowledge.  
Using it in your business.  
You can. The company is IBM.  
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## PORTABLE COMPUTERS 4

Software developers exploit growing market

## Widening horizons

MODERN portable computers are now powerful enough to be used for software applications that were once confined to desktop machines. Faster processor 'chips' and more advanced display screen technologies allow portable computers to be used for far more than simple note-taking and 'personal organiser' tasks.

Software developers have recognised an opportunity to exploit a new and growing market.

Later this spring, personal computer software giant Microsoft will introduce a new version of its popular Windows environment - version 3.1 - which incorporates features aimed specifically at the portable computer market. Microsoft hopes to extend its dominance of desktop computing - with the Windows/MS-DOS standard - to the portable computer market.

Other software developers are keen to exploit the mobility and power of portable computers. Some build on existing applications and others bring innovative new applications to the market. There are signs, however, that there will be differences between the mature market for desktop software and the new market for portables.

Mr Stephen Arnold, chairman and managing director of the UK portable applications specialist Softa, points out that there are different types of portable computer user and different demands for applications software - "some people want a portable desktop - similar in function to the one in their office. Other portable users want something more job-specific."

Mr Arnold notes that job-specific, "field-force" software applications - such as those used by service engineers and

sales staff - require specially-built software and there is less need for standardisation - "although historically people were bitten by the lack of standardisation on the desktop - it is not so necessary on portables - especially if you have to develop special applications software."

"Many players in the portable computing market are offering high-quality proprietary software. In the end, it is the context of the application that dictates what software you use - so you don't need to blindly assume that it must be standard MS-DOS," he says.

There are other signs that MS/DOS might not achieve dominance of the portable market. Toshiba, the Japanese manufacturer which dominates the portable computer market, announced in January that it would no longer 'bundle' MS-DOS with its computers - allowing purchasers to make their own choice.

And companies like Psion, which produces a range of hand-held computers, have equipped them with their own proprietary operating software. Despite this, it seems likely that MS/DOS - and when the new version arrives, Windows - will be the basis for much of the software for portable computers.

"The power of portables has improved so much that we can offer a full Windows environment now," says Mr Mark Edwards, Windows product manager at Microsoft in the UK. "We are introducing three specific features which will be important for portables: advanced power management; mouse 'trails' and optimised backgrounds for LCD screens."

The power-management features will be particularly welcome. Battery life on portables has improved - but it still

needs to get better. The new Windows environment will be able to detect when the screen and disk drive are not being used and turn them off to conserve power.

The mouse 'trails' make it easier to keep track of the cursor on the screen by leaving a trail of cursor marks. And the special backgrounds will make screens more readable.

Established software developers are happy that MS/DOS and Windows will make the transition to portables and are building applications in key areas.

Nextbase, a UK software specialist, has created Autoroute Express, a route-planning application, which sits well on

**Software suppliers are introducing innovative products for portables**

a portable computer - even the hand-held Pocket computer.

"Our software is widely used on portable computers," says Ian Mercer, managing director of Nextbase.

Autoroute is, essentially, a simple application which lets you work out the quickest or shortest route from one town to another. The product covers all of Europe and the US with more detailed versions for the UK and France. Directions and maps can be viewed on the screen or printed out.

"We recognised the potential for the product on a portable and built the software to work well in a low-performance computer," says Mr Mercer.

Looking to the future, Mr Mercer says that the company plans to bring out a version for Microsoft Windows - "In my opinion, MS/DOS and Windows are so universal that they will be much more popular than

proprietary systems. People don't want to have to learn new ways of working."

Nextbase also intends to exploit the advantages of portability by using the emerging Global Positioning System (GPS), which uses satellites to transmit longitude and latitude co-ordinates.

"The price is still high - but it won't be long before it tumbles down to below a \$1,000. We have done some work into putting GPS into the Autoroute software. Then you will be able to see where you are on an on-screen map," says Mr Mercer.

Other software companies are working on the communications potential of portable computers. Kerridge Network Systems, a UK communications specialist, claims a world 'first' with a British-designed high specification modem for portable computers which comes with a wide range of software options.

"We have worked closely with Toshiba to develop communications software for the corporate environment both for remote and local connections," says Mr Nigel Hawley, general manager of Kerridge Network Systems.

Kerridge's products allow a portable computer to work like an old-fashioned terminal to a large mainframe system or as a participant in a local area network - "we've used special hardware which allows us to change the function of the modem using clever software. You can connect simultaneously to a remote mainframe and, say, a viewdata system," explains Mr Hawley.

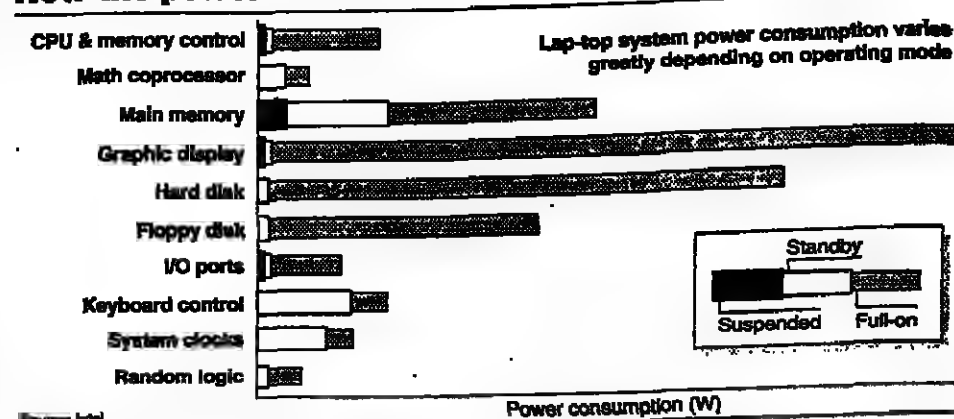
The Kerridge range brings portable computing full circle - giving it the potential to form an integral part of traditional data processing applications. This will certainly help to put portable computers alongside desktop computers as 'windows' moves into the corporate network and beyond. It might even mean the eventual disappearance of the desktop computer altogether.

Philip Manchester

Research intensifies to improve power management

## Quest for longer battery life

## How the power is used



Power consumption (W)

Legend: Standby, Suspended, Full-on

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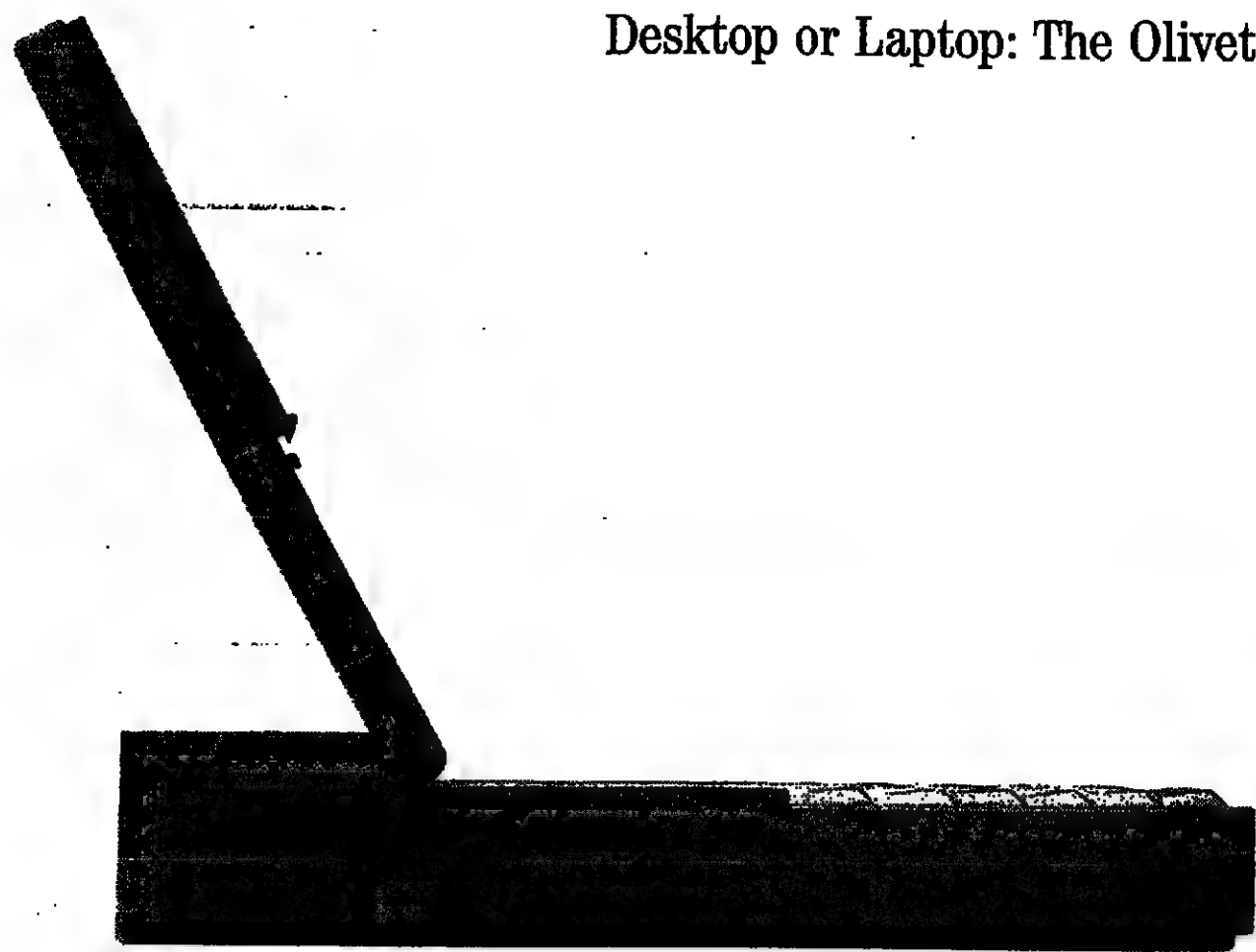
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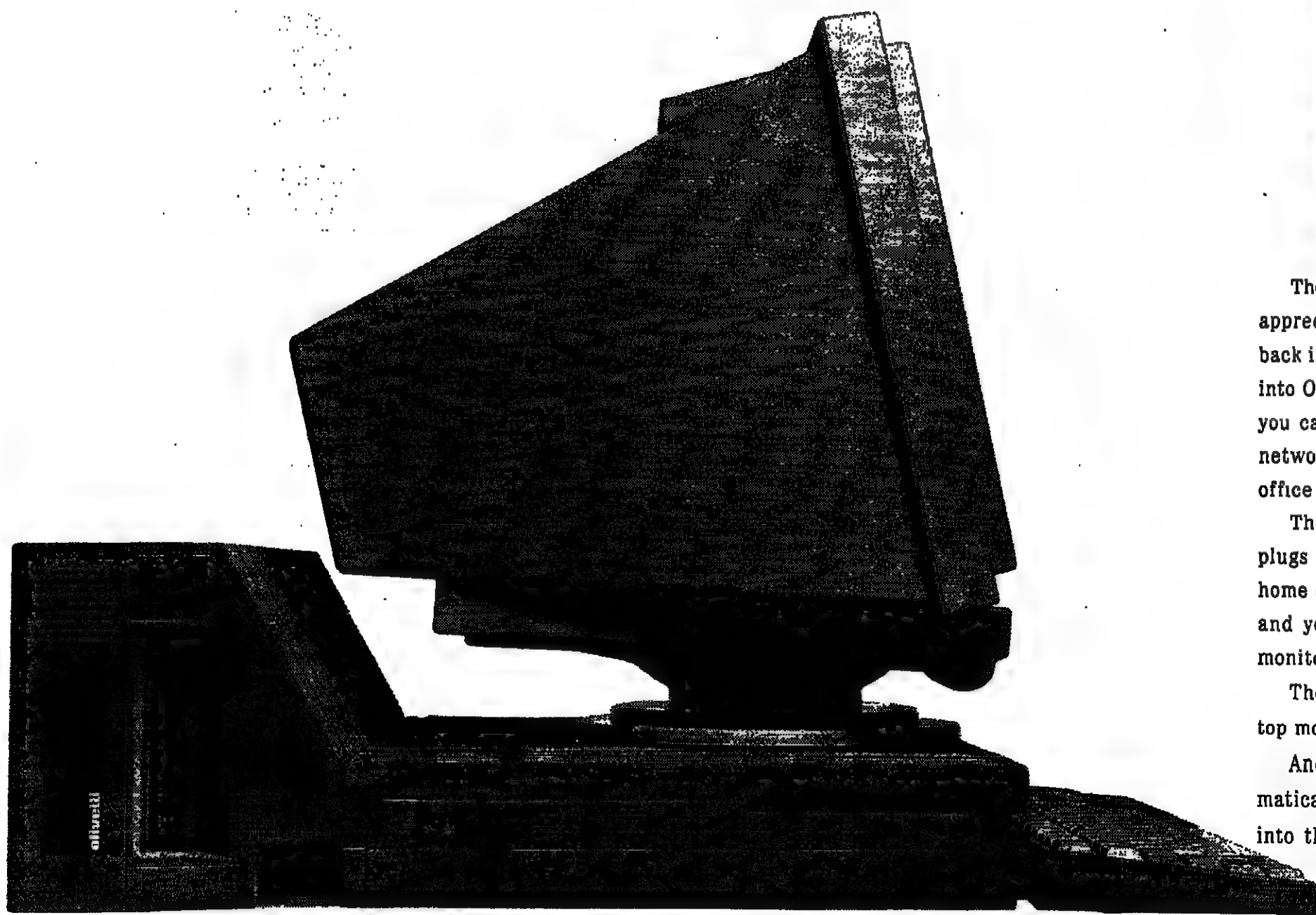
Power consumption (W)



## Desktop or Laptop: The Olivetti Solution.



# TWO in



1. from Olivetti is the first range of portable PCs designed to change into high performance desktops in seconds. You can now have everything in 1.

There's a laptop in every 1. As a laptop it's as easy to carry as your briefcase.

Yet with its 386SX or 33MHz 386DX processor, 40 or 60Mb hard disk and high density 3.5" floppy disk drives, it contains all the power normally reserved for a desktop.

You'll find no compromise in design either. There's a backlit VGA display, detachable keyboard, and the unique built-in PS/2 mouse, so you can operate the machine at the touch of one finger (a touch you'll appreciate on the road).

**olivetti**

There's a desktop in every 1. You'll appreciate its true genius when you're back in the office. Just slot the laptop into Olivetti 1's Docking Station and you can automatically link into your network, host computer and other office peripherals.

There are no cables to connect or plugs to plug in. To be perfectly at home on your desktop simply close 1., and you can add a full size colour monitor.

There's even a port for your desktop mouse.

And because the Olivetti 1. automatically recharges when it's plugged into the Docking Station, it's ready to go when you are.

See the 1. range at your local Olivetti Portable Centre.

**olivetti**



## PORTABLE COMPUTERS 6

CRISPER, clearer colour screens are increasingly in demand from portable PC users, who no longer see their machines as executive toys. Some users want to take advantage of more powerful colour software programs, some want to make a splash in business presentations and some simply want to join the in-crowd.

Now a handful of personal computer manufacturers is trying to meet that demand with high-definition, flicker-free, active matrix displays. Until now, users have had to suffer a variety of slow, low-resolution liquid crystal displays (LCDs) using passive matrix technology.

Among the active matrix contenders are Sharp, NEC and Toshiba with its 80486-based T6400 machines launched last month. So far, the duo is believed to have invested £214m in the technology and these 10.5ins screens are the project's first offerings.

The largest TFT (thin film transistor) screen so far manufactured, at 16.5 ins, was shown in Japan last month by Sharp, but neither this nor its 14 ins screen, seen two years ago, is yet in mass production.

Both passive and active matrix displays work on the same principle. By illuminating the right combination of pixels behind red, green and blue filters, they create the illusion of colour in the same way that colour photographs do in a newspaper.

But active matrix displays use three times as many pixels, each one controlled by a separate transistor. This independent control prevents light bleeding into neighbouring pixels to change the colour mix. Active matrix screens are also sensitive to tiny changes in voltage, so they can display many thousands of subtle colours, depending on the software drivers.

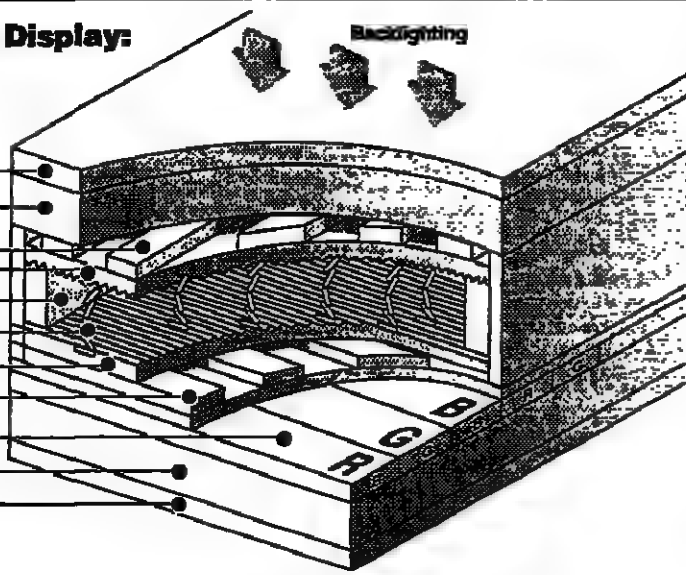
This, combined with the independent control of one transistor per pixel, makes them brighter, with better contrast and colour saturation than passive matrix screens.

But active matrix displays - using thin-film transistor technology - are difficult to make. To produce a TFT screen to VGA resolution (640 by 480 pixels) requires about a million individual transistors.

Not surprisingly, manufacturing defects are high and the

## Liquid Crystal Display: how it works

Polarizing filter  
Glass substrate  
Transparent electrodes  
Orientation film  
Spacer  
Liquid crystals  
Orientation film  
Transparent electrodes  
Colour filter  
Glass substrate  
Polarizing filter



Source: NEC and Sharp

## SCREEN TECHNOLOGY

## Strong demand for clearer displays

result is many dead pixels. Because light can pass through these, thin-film transistor screens become punctuated with distracting points of light. Despite manufacturing improvements in the past six months, only 40-50 per cent of new TFT screens - which must be made in a single sheet - are usable. Sometimes the yield is even lower. Until recently more

## 'In many ways, the intense and growing customer demand for colour portables is illogical'

than 90 per cent of screens were scrapped because of pixel damage, even though some manufacturers allow up to 10 dud pixels per screen.

As a consequence, the price of TFT portables is high: at \$6,000-£7,000, two or even three times the equivalent of passive matrix machines.

Besides passive and active matrix screens, there are two other relatively common technologies in use: gas plasma and electroluminescence.

Unlike LCDs, which need back or sidelighting, gas

plasma displays generate their own light. A gas discharge trapped between two layers of glass generates the characteristic copper-coloured text on an almost black screen.

One particular advantage of the technology is that the screen refresh-rate is fast. This means users will not "lose" their cursors in Windows-type applications. For the cost-conscious buyer, the price of gas plasma portables is considerably less than active matrix systems.

Toshiba's gas plasma T6400 runs £2,000 cheaper than the TFT version, at £4,500. IBM, NEC and Grid still offer gas plasma machines.

Electroluminescence (EL) is less popular even than gas plasma, as EL screens tend to be power-hogs.

They do have certain advantages, though: the refresh rate of their yellow and black screens is particularly fast and they are cheaper than TFT screens.

Electroluminescence can also support much larger resolutions than TFT: Toshiba's Sparc LT laptop workstation for programmers, for instance, has a resolution of 1,152 by 900 pixels.

Two relatively new screen

technologies - ferroelectric LCDs and metal-insulator-metal (MIM) screens - have yet to make their way into full commercial production, but could eventually supplant TFT technology.

The first ferroelectric LCD, demonstrated last autumn by Canon, was a monochrome screen with a resolution of 1,310 by 960 pixels. Canon expects to manufacture colour

## 'Buyers should seriously consider monochrome portables before plumping for colour'

screens, too, at an even better resolution and up to 24 ins in size.

Although the mass production of ferroelectric LCDs (FLCDs) may be three years or more away, these screens are likely to be significantly cheaper than TFT systems.

Sharp, one of the market leaders in screen technology, does not yet manufacture FLCDs, but has gone as far as to say that they will probably be the displays of choice for future portables.

Portable personal computers,

using metal-insulator-metal (MIM) screens, are likely to offer brighter whites and may eventually be cheaper than TFT machines. Again, however, mass production techniques for MIM screens have yet to be devised.

The first prototype MIM notebook, from Seiko-Epson, was shown in the US last year with a price tag of about £4,500.

As far as buyers are concerned, the precise technology behind portable screens is immaterial. But they do need to know what to look for: clarity, brightness and contrast control are important, to enable users to run the machine under different lighting conditions.

Response time, too, is worth investigating, especially for power software such as Windows.

Something else to look for, especially if the machine is needed for presentations, is a screen that can be seen from a wide viewing angle.

Perhaps the key question buyers should ask is whether they need colour at all.

The demand for colour is certainly high, say manufacturers, which will keep the cost of colour portables up for a year or two at least.

"Consumers are expecting the cost of these machines to fall quicker than it's going to," says Mr Yan Edbrooke, product manager for Apple's notebook computers.

"Demand is stronger right now than the production technology can deliver, a phenomenon that'll last through 1992."

In many ways the intense demand for colour portables is illogical.

Toshiba research shows that 70 per cent of portable users are interested only in word processing. So buyers should seriously consider monochrome portables before plumping for colour.

Moreover, unless buyers can afford the best - which really means TFT at \$6,000 plus - they will have to make do with dimmer, slower, fuzzier, and less accurate displays.

The colours on many of these are poor, says Mr Nick Phillips, professor of physics at Loughborough University of Technology.

"The screens on portables that I've seen are an insult to the intelligence," he says.

"Those companies that have tackled the attempt to get good black and white have done the right thing."

Steven Sainsbury

## MEMORY TECHNOLOGY

## Capacity soars

SEMICONDUCTOR technology is readily predictable. This makes it a relatively simple task to work out what the future for portable computer memory capacities will be like. The real question, therefore, is not how much memory can be made available, but how it is to be exploited.

Random access memory (RAM) chips, the most commonly used in personal computers, now hold 4 megabits (MBits) of data, equal to 0.5 megabyte (MByte) or roughly equivalent to some 85,000 words. Over the next year, the first examples of chips with four times that capacity, 16MBits (2 MBytes or nearly 350,000 words) will start to appear.

Top-end portable computers already come with around 4 MBytes of RAM as their main user memory, so it is relatively easy to predict that this will rise over the coming years to 16 MBytes, and then 64 MBytes (roughly 10m words).

The same chips can and will be used in smaller portable computers as well, such as the popular notebook machines, and the handheld 'palmtop' and pen computer systems.

In terms of memory capacity and processor performance, there is now only one technical reason why the capabilities of the largest desktop PC cannot be put into a palmtop machine, and that is the display technology available.

There was one other technology hindering such a development, the magnetic disk drives used for on-line data and program storage, but at a technical level this has largely been overcome by the growing availability of cards built to the standard defined by the Personal Computer Memory Card International Association (PCMCIA), which numbers over 180 computer companies in its membership, many of them leaders in their field.

This standard exploits the increasing capacity and functionality of semiconductor technology to, at the base level, provide an alternative to the magnetic disk drive for small portable computers.

The technology developed for the PCMCIA standard, however, is capable of providing much more than just memory capacity. It can couple

that capacity with additional functionality and intelligence. This is not to suggest that the magnetic disk drive has lost its role in portables. The technology continues to be developed aggressively, with both the physical size and the cost-per-megabyte stored coming down rapidly.

Physically, disk sizes of 2.5 ins diameter are now commonplace, with capacities of 20 MBytes and 40 MBytes now typical. This will rise to 60 MBytes and 80 MBytes this year, according to leading drive manufacturer, Conner Peripherals.

At 210 per megabyte stored on a Conner 40 MByte drive, it is impossible for semiconductor technology to beat disks on price. In terms of size, unit price and capacity, therefore, the majority of laptop and notebook portables will still be using magnetic disk drives.

Their one major weakness - power consumption - will be tackled in part by the reduced physical size of the drive

ety of solutions are on offer, including battery-backed RAM chips linked together as a module.

More recently, flash memory technology, a variant of electrically erasable programmable read only memory (EEPROM) technology from companies such as Intel, has come to the fore. For systems designers, the trade-off between the two is capacity, price and flexibility.

RAM-based units currently hold more data, but need to have a small lithium battery as part of the card design, in order to maintain the data as stored. Typical capacities to date are up to 10 MBytes per card, though Santa Clara, California-based SunDisk, the company of PCMCIA president, Mr John Reimer, claims the lead with 15 MByte cards.

Predictions are for 100 MByte cards to be available within three years, though these will not beat magnetic disks on price per megabyte stored. Flash memory, on the other hand, retains the data as a read-only memory (ROM) does, without any need to keep refreshing it, but allows the system to re-write the data as required. This is analogous to magnetic media.

According to Mr Reimer, the most important aspect of PCMCIA is as a prompt for entirely new developments, particularly in applications software distribution. Companies such as Lotus Development Corp have already ported its 1-2-3 spreadsheet to this format with success, where the application code is held in ROM together with RAM chips for the data the application generates.

Mr Reimer expects many other applications providers to follow Lotus' lead, especially as its joint effort with Hewlett-Packard in the development of the HP350LX palmtop has led to sales of around 50,000 units per month.

As the latest Version 2.0 of the PCMCIA standard also standardises the definition of other input/output capabilities, the potential opens up for combining memory with other functionality.

At present, cards offering fax/modem and local area network capabilities are under development, but as Mr Reimer says, "developers are limited only by their imagination in what they can now produce with PCMCIA technology."

One of its most interesting advantages stems directly from its exploitation of semiconductor technology - "we are reaching a point where the data held in a card memory is worth more than the cost of the system that generated it," says Mr Reimer. "Because of the technology, these cards can withstand a 500g drop and still function. A palmtop or pen computer can easily be dropped, breaking the machine and losing the data. With PCMCIA cards, the data can be recovered by putting the card in a new machine."

## Application case study

## Handheld system helps cut costs

IF NOTEBOOK computers are the thoroughbreds of the portable computing stable, handheld machines are the workhorses.

Limited in functionality but easy to use, light in weight and low in cost, they are suited to a range of business purposes for which larger machines are either too sophisticated or too expensive.

Or perhaps too bulky and inconvenient for easy use by a salesperson. Gallaher, the UK-based international group with its origin in the tobacco business, thinks so, anyway. Its involvement with handheld computers for its sales force stretches back 13 years and it is already debating plans for its next generation of systems.

The company is one of the world's largest tobacco enterprises but it also has extensive interests in spirits - Vladimir vodka is one of its brands - optical products, retail distribution and hardware.

It is a sophisticated user of computer systems for conventional data processing; its involvement with handheld machines, however, takes it into more control areas - the strategic use of information technology for competitive advantage and alignment of IT strategy with business strategy.

The tobacco business is on the decline but that is not according to Mr Michael Friend, general sales manager, reflected in Gallaher's performance. It has about 40 per cent of the UK marketplace and is selling more cigars and cigarettes than ever before - but in a different fashion.

Tobacco is not immune from the sweeping changes that have changed the face of retail distribution. Independent retailers now tend to obtain their stocks from cash and carry operations or from wholesalers, while the large chains are increasingly turning to centralised warehouses.

Evidence of the change comes from the decline in the number of Gallaher's direct accounts: from 50,000 ten years ago to around 19,000 today.

Gallaher's response was to look for a better way to deploy its 250-strong sales team. It believed it could improve efficiency and service by combining the roles of direct and indirect sales in a single force.

The precedents were not encouraging. Gallaher's competitors moves with only limited success. It made sense, therefore,

to carry out a large-scale trial in a single region before rolling out the new approach nationally.

The region chosen was Western Division; the trial began in 1989. Gallaher's first experience of handhelds was with a simple device, the M55, marketed by Unilever Computer Services, since taken over by Electronic Data Systems of the US. Interestingly enough, the group's move into handheld computing was not driven by one of the company's young turks, but by Mr Tony Goodburn, a sales engineer of mature years who has since retired.

Today it is using a more sophisticated machine developed by Victor Technologies part of the Tandy Group based in the US. Victor was a pioneer in the personal computer business, but lost its way in the 1980s. Under Tandy's ownership it is recovering its bounce; it is, for example, one of the leaders in portable computer systems in which keyboards are replaced by handwritten input.

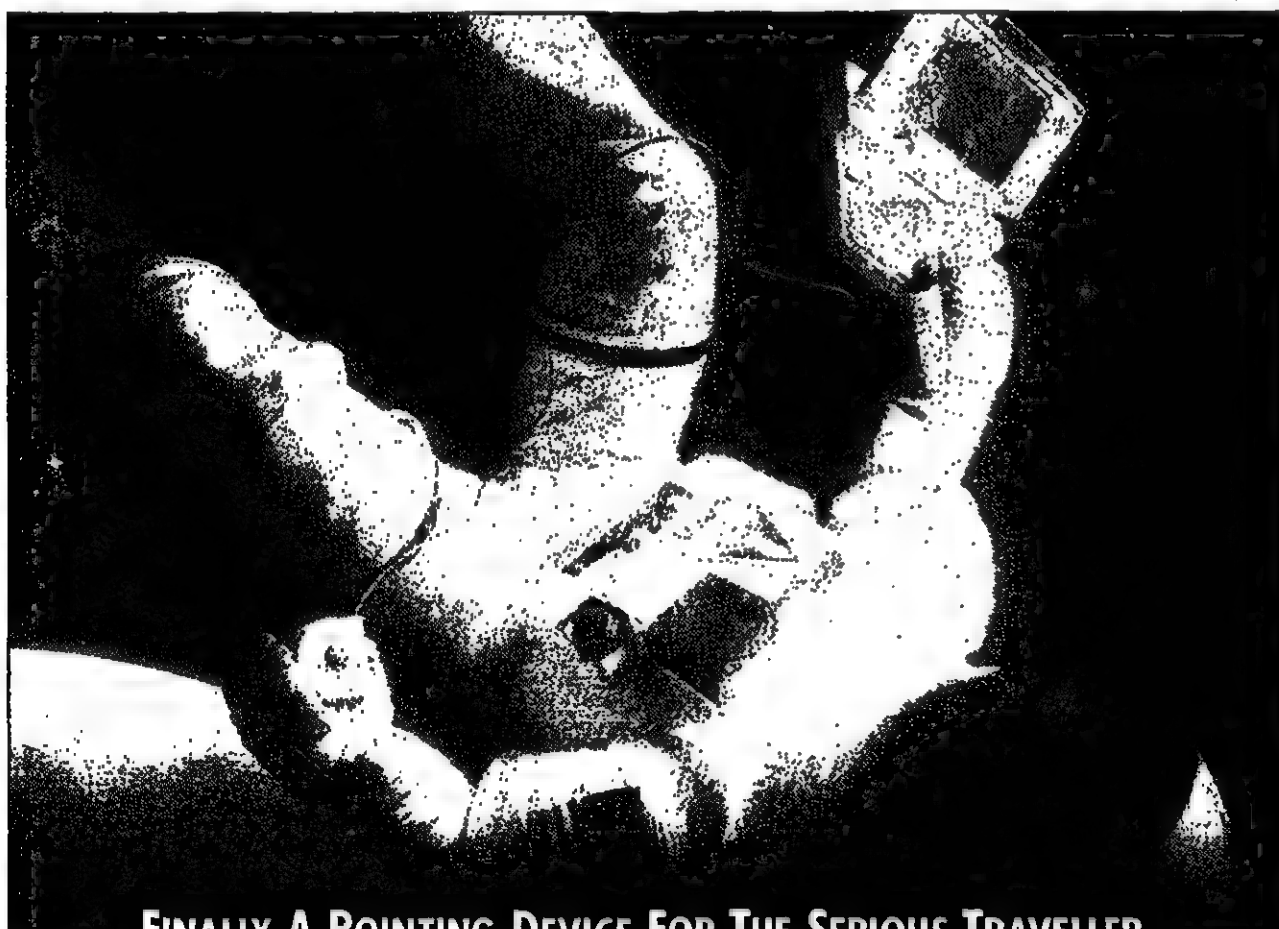
The Victor machines allow sales people on the road to place orders from customers and print invoices as well as receiving messages through electronic mail. Printing the invoice is a big plus, saving hours of clerical work. It also calculates VAT automatically.

At the end of the day, the sales people send the result of their endeavours to the company's main computers at Northolt, Middlesex, over the telephone network. There is no cabling or interfacing to worry about; the computer is laid on a "plinth" - essentially, a telephone terminal equipped to receive information from the computer through an infra-red link. Mr David Adams, sales programme manager, notes the importance of a lack of obvious or complex equipment where salespeople are working from home.

The trial has been a success; Gallaher executives say it would not have been possible to combine the two sales forces in one without the computers.

The reason, Mr Adams says, is the amount of paperwork necessary for each kind of account. Different order and invoice are used for direct and indirect sales. Both are stored in the computer and called up at the press of a key. Without the electronic help, the salesperson would risk drowning in paper.

Continued on facing page



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## PORTABLE COMPUTERS 7

## HANDHELD COMPUTERS

## More power for the palmtop

LITTLE MORE than a decade ago, the only "portable" computers were the size, shape and weight of luggage sewing machines, and IBM PCs, with 64K of memory, were about beginning to grace office desktops. Since then, technology has enabled computer manufacturers to pack more and more power and memory into ever-smaller boxes and make the computer-on-a-chip all but a reality.

Laptops replaced the early transportable computers, and then came the clam-shell notebook computer. The latest notebook portables boast colour screens, massive hard disks and Intel 386 processors, giving them the power of the fastest desktops, all in a package smaller and lighter than an average telephone directory.

For some users, however, it seems that even the notebook computer is too big to carry around. Enter the palmtop, or handheld computer, some of which are little bigger than a large sardine can and weigh less than half a bag of sugar. A growing number and variety of palmtop computers are now available. Some offer little more than the features of an electronic organiser, while others cater for specialist niche markets such as on-site data collection. But many of these are now beginning to mimic the full-function desktop computer.

According to some analysts, the worldwide market for handheld computers will be worth \$3bn by 1994. At the same time, palmtop machines are already taking a larger share of the portable computer market. Zenith Data Systems has estimated that palmtops' share of the portable market will reach 10 per cent by 1995.

The palmtop computer market was pioneered in the late 1980s by Sharp, the Japanese consumer electronics giant which claims to have invented the electronic organiser, and Psion, the UK-based manufacturer of the successful Psion Organiser.

Some machines, such as the Casio SP5500 and the Sharp IQ range, clearly derive from the early electronic organisers which began to replace the calculator and paper-based personal organisers a few years ago. The Kyocera Rasko, actually comes in the form of a ring binder. Typically, these machines are equipped with built-in functions such as calculator, clock, address book, scheduler and notebook usually accessed via a set of dedicated menu keys, that are now near-standard.

More sophisticated machines, like the Sharp IQ



Instant price-checks on a Psion point-of-sale system

8000, uses plug-in flash E-Prom cards to expand memory and provide other tailor-made programmes including spreadsheets, translators, and specialised scientific and business calculators - thus, one for the Sharp will calculate the size of radiators needed in a central heating installation.

Although they generally do not run industry standard software, most palmtops can also exchange data with a desktop

computer via software and a hard-wire link or over the telephone line using a modem. Since most of them have small and difficult-to-use keyboards, downloading data from the office machine for use while on the move is a particular attraction.

A second group of machines has begun to appear on the market in the last year or so. These can lay claim to be more like shrunken full-function desktops - although nearly all have some limitations in terms of absolute compatibility. This group includes Sharp's recently unveiled but not yet released PC3000 video cassette-sized palmtop, the Hewlett-Packard 95LX, the Psion PC, the dip Pocket PC, the Psion Series 3 and the Micro-writer Agenda. The first four run MS-Dos or an equivalent from Rom memory chips and can therefore run standard PC

software - but with some limitations due to Ram memory size and the physical limitations of keyboard and screen.

Through most of the new batch of machines resembles each other, all have some special features. The British-built Psion Series 3, the successor to Psion Organiser, uses a PC-style processor but does not run MS-Dos. Instead, it can be programmed in a basic-like language that Psion calls OPL. Its powerful built-in applications, which include a spreadsheet compatible with Lotus 123 and a word processor compatible with Microsoft's Word, can share data with programmes on a PC and files are saved to its two Flash E-Prom memory card slots in MS-Dos format.

The Agenda is distinctive for several reasons, including its innovative rapid entry microwriting language - substituting just five keys for the usual 26 needed to produce the full range of letters, and its screen which unlike all the others is not in a hinged lid. As for the Sharp 8000 and the Pocket PC, their liquid crystal screens, while still not of VGA standard, are able to display a full 80 columns by 25 lines.

However none of the screens is backlit, which saves battery power, a precious commodity. In general, the new palmtops manage to run for between 40 and 120 hours on small AA batteries or lithium packs aided by a high level of integration, low power consumption chips and advanced power management techniques.

With the exception of the Agenda, all come with some what cramped Qwerty key-

boards, but of strikingly different qualities and are generally more appropriate for short memos than for producing large documents. All provide built-in functions such as address books, calculators, diaries and notepads or slimmer down wordprocessors, often under a dedicated menu key, while some boast additional features including tone telephone dialers, communications programmes, databases and spreadsheets.

The Pocket PC, with its single expansion card slot, is equivalent to the Atari Portfolio and can run all the Portfolio's software cards. With eyes clearly on the individual business user several offer Lotus 123-compatible spreadsheets and the HP 95LX comes bundled with a version of Lotus 123 itself. Most either produce files which are compatible with spreadsheet applications or will convert files into formats that can be used by other machines. Removable memory cards are also a common feature, together with software and cables to allow them to be hooked up to modems, printers and desktop PCs.

Most of the machines still use proprietary slot-in cards for memory and additional software applications but a de facto palmtop PC standard is emerging. The Hewlett-Packard, Poquet and Sharp palmtops all come with new Flash Ram memory card slots conforming to the PC Memory Card Interface Association and an optional PCMCIA card adapter is available for the Pocket PC. These lightweight cards, the size of a small stack of credit cards, can be read-only or read-write and hold up to 2Mb of data at present although larger capacities, up to 64Mb, are on the drawing board.

PCMCIA cards are expensive at around \$350 for a 1Mb card, but prices should begin to drop as more manufacturers adopt the standard. An external card drive can be bought for about £165 and plugs into the parallel interface, allowing data to be exchanged with a desktop - or another palmtop.

A third specialist group of handheld computers - some derived from machines mentioned above - is designed primarily as data collection devices or for use in industrial or other non-office environments. Psion's Tandy Victor Technologies/Grid subsidiary and Eusky Computers among others manufacture handheld machines used as portable input/output devices mainly by meter readers, market researchers or for stocktaking, using a bar code reader or other input device.

The market for this type of

machine is growing rapidly. Prudential Insurance has just placed what it claims is the world's largest order for handheld computers, spending an estimated \$7m for 7,600 Eusky Hunters to improve the reliability of data capture and reduce the time between collecting data and sending it back to a local or central office. The computers will replace the old paper-based collection book carried by the insurers' door-to-door salesmen.

Overall, the palmtop computer market is becoming increasingly competitive, but it is also still a young and diverse product market with few established standards. It may therefore be some time before it matures and becomes a cut-throat commodity-type market like those for larger computers.

Inevitably, the human body imposes limitations on the workable size of screen and keyboard which designers have so far failed to overcome. As a result, palmtop computers, even the latest generation, are designed around a series of compromises.

Some analysts predict that notepad computers will grab 20 per cent of the portable market by the mid-1990s - overtaking palmtops themselves. Communication between computers, including palmtops, is also likely to become simpler and more automated. Several manufacturers, including NEC and Poquet, have already developed radio communication versions of their portables and Hewlett-Packard's palmtop includes an infra-red "window" in its casing which allows it to communicate without wires with other HP machines.

The prospect of combining the palmtop with a cellular telephone or other wireless transmitter raises the possibility of computer-to-computer communications anywhere without any cables.

The latest palmtops are already a far cry from their earlier portable cousins, but there still seems way to go before the dream of real pocket-sized computing power becomes a reality. What is certain is that this, too, will come sooner rather than later.

Paul Taylor

## PEN-BASED SYSTEMS

## Optimistic forecasts

"The pen is mightier than the sword," according to famous saying by Baron Lytton (1803-1873). The pen may also prove a more powerful tool than the computer keyboard if pen-based computer systems turn out to be as popular as many manufacturers and industry analysts now predict.

Pen computers come in several guises, although most are electronic tablets which resemble a Victorian school slate, complete with a stylus or "pen". The pen is used to write free text, fill in boxes or indicate sections of diagram on the computer screen.

Such systems generate excitement because they enable the most keyboard-illiterate, from the chief executive to the humblest blue-collar worker, to exploit computer technology.

Pen computers are being developed in both the US and Europe. One of the latest, from Momenta International of California, is a hybrid system incorporating a keyboard as well as a pen. This, says Mr Mike Daly, former managing director of Grid Computers in the UK, makes it ideal for applications such as business planning or for editing and correcting reports.

Other types of pen PCs fall into three categories. Machines in the first category are intended for versatile applications, where customised software enables engineers, nurses or surveyors, for example, to gather data.

One application using the Gridpad machine, from Victor Technologies, part of the Tandy group, is for crash assessors from motor insurance companies. It uses the Gridpad to calculate the cost of repairs by displaying expanded vehicle diagrams on the screen.

By touching individual components on the screen with the pen, the machine automatically records the parts that need replacing. This data can then be sent over a telephone line directly to a mainframe computer where the price of the replacement part and labour costs can be calculated.

A similar package, to enable surveyors or architects to collect data on the site of a refurbishment project, is under development for the NCR pen system, by SurvSoft, of Weston-Super-Mare. By indicating the appropriate component from the diagrammatic selection of walls, floors and ceilings that are stored on the handheld machine, the surveyor can build up a picture of the surroundings.

The appropriate measurements are inserted by calling up a calculator pad on the screen and then indicating the appropriate figures. The plan can then be fed back into the computer system in the office.

More sophisticated than these are machines which actually recognise handwriting. Although most of today's systems can recognise letters or numbers, and can store signatures, the ability to use a pen PC like the traditional notebook and pen is still some way off. Mr Chris Fell, an analyst at information technology research group Dataquest, predicts it will be 1994 before such systems become reliable enough to find widespread acceptance.

The third category comprise the simplest systems, which are intended for applications where a paper copy is required but where a printer would be

simple form to enable the warden or salesperson to take down simple details, these electronic clipboards are considerably less expensive than their more sophisticated counterparts, and therefore are finding more widespread applications with blue-collar workers.

Mr Bill Clough, president of Microslate, the Montreal-based pen computer maker, points out that in North America the white-collar market is 85 per cent saturated with computer technology while the blue-collar workforce is only 11 per cent saturated.

In Europe the situation is different. Mr Alasdair Macgregor, UK marketing manager for workstation systems at NCR, says that companies such as his are aiming at the white-collar worker because that is where most corporations will get the best return on investment.

One factor which could inhibit the growth of the market is any dispute over the operating system used in pen-based systems. SurvSoft, for example, uses "windows" software, so that pictures, or "icons" appear on the screen. This approach is being promoted by Microsoft with the Pen Windows version of its popular Windows software environment. This will enable users to adapt Windows applications developed for desktop computers for use on pen computers. But many believe its lifespan will be limited.

More promising in the longer-term, believes Mr Fell, is the Penpoint operating system developed by Go, the California start-up company. It has been specifically designed for pen PCs, and is therefore a more appropriate solution. Fell believes a dispute between promoters of the two approaches could well be avoided, with the market moving progressively from the Windows approach to the Go one.

If this proves correct, then pen technology could prove the next revolution in computing.

Della Bradshaw



Pen-PC from Victor Technologies

cumbersome or too expensive. One example of such a machine is the ScriptWriter produced by Peripheral Vision of the US. It can be used for taking down an order, and leaving a hard copy with the person placing the order.

Or it can be used by traffic wardens as the warden writes down the details of the ticket on the sheet of paper placed on top of the board, the pressure registers the same information - car registration plate, for example - into the computer memory. Once the warden returns to base, the details can be fed into the main computer system.

Because the application requires little more than a

## How portables help sales force automation

## Boost for productivity

SALES force automation was largely impractical until the appearance of the laptop computer. Computer-aided field sales people used to be limited to what could be mailed to or from them on disk or by telephone to their home PC, via its modem.

Now software packages abound, claiming to make the nomadic sales person more productive. Some systems are little more than glorified electronic diaries, but others are

genuine marketing tools, cutting down on paperwork and handling all routine computerised elements of a sales person's work, such as:

- Customer requirements analysis and recording.
- Quotation compilation.
- Personal organisation facilities.
- Planning and developing sales prospects.

A closer look at these headings might reveal facilities for recording customer details, rel-

evant products, history of sales (and failures), past visit reports, current sales order management and forward action for taking up new business opportunities.

The transfer of information between the sales executive and head office is important. Thus, a package may allow information to be extracted for progress reports and for creating more lengthy reviews requiring pre-composed texts and calculations, in word processing fashion. There should also be an electronic mail link.

The tasks may be interpreted in different ways, but should not be discrete: for example, an entry in one section should update, in spreadsheet fashion, the effects on entries in other areas.

A change of contact name, to take a simple instance, will need updating in the diary, account record and future prospects reminder.

Among the hundreds of packages for sales force automation, a handful are starting to acquire a name. Among these, Sales Technologies, for instance, is a leader in the pharmaceutical industry. Market Solutions, Prosper Systems and Ensure Sales Technology have well-known, but more general purpose offerings. In the insurance sector, the Business Partner system comes from industry-sponsored Origo Services.

The insurance industry, as with all pioneers of computer applications, had to write its own early software. Many user-companies now combine in-house systems with off-the-shelf automation modules to add value.

Sun Life of Canada, for instance, uses in-house software to gather information on the client, analyse it identifying needs and generate product illustrations. They also have a proprietary SFA system called Portex from Showers and there will soon be an automatic data transfer from one to the other.

Allied Dunbar's famous application of sales force computers has evolved into customer-needs analysis and point-of-sale product calcula-

tions combined into a personal financial planning system. They are now adding enhanced features, such as financial health checks and graphical sales tracks to a practice management module covering sales force functions. This last point illustrates the need for pick-and-mix systems design. Sonbridge Financial Management Centre at Bromley, Kent, has an accumulation of expertise on sales force automation.

But Monica Seeley, the centre's programme director, adds a warning: "Some purveyors are jumping on the bandwagon. Potential users must closely look at the needs of their sales force and make sure the software they buy really fits those requirements."

For example, are sales people selling low-price items in bulk or high-value items in individual negotiations? Do they sell to wholesalers who know the trade or to end-users who need educating?

"Does each sales person have large or small numbers of customers and how well does he or she have to get to know them? Issues like these need to be set out clearly, because most packages are written with one or another type of sales force in mind."

"Indeed, there may be a mix of 'sales types' in the company - regular sales people out on their patch and others on national accounts. It is rare that one system can serve all these people, but where different packages are used they will need 'pipelines' between them."

Another link is needed between the sales team's laptops and the head office sales management system - thence to the company's order, production, delivery and accounting arteries.

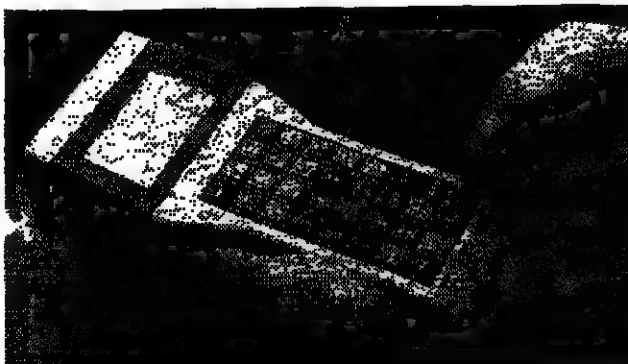
Such a link allows a sales person to update head office territory records, send in orders as they are taken, and so on.

The head office, in turn, sends out details of fresh enquiries, price changes, promotional information and other data.

Geoffrey Tyler

Alan Cane

## Faster deliveries



Gallaher's sales team uses GRID M1000 handheld computers

Continued from facing page work. The system has now been implemented across the country at a cost of some £500,000. That represents a large chunk of Gallaher's data processing budget. Mr Adams said it was justified to senior management on grounds of cost-cutting. Delivering order data automatically over the telephone meant that fewer staff were needed to handle mail orders.

There were, inevitably, teething problems with the system and not always obvious ones. The units are battery powered and at one stage Gallaher found it was going through batteries at a remarkable rate. It discovered that unbeknown to Victor, the composition of the springs which retain the battery had been changed by a supplier. The result was a reaction which

drained the battery. Every set of springs had to be changed to solve the problem.

Then there was the tiny printer which sits on top of the computer to issue invoices operates by leaving an image on thermal paper. The sales team was issued with plastic wallets to file the copies. Again, a chemical reaction paper meant that in weeks the invoices faded. Leather replacements for the wallets solved the problem.

The company is measuring the success of the trial by improvements in service to its customers. It believes it has shaved 24 hours off the average delivery time. In today's fiercely competitive markets, that is an advantage well worth having.

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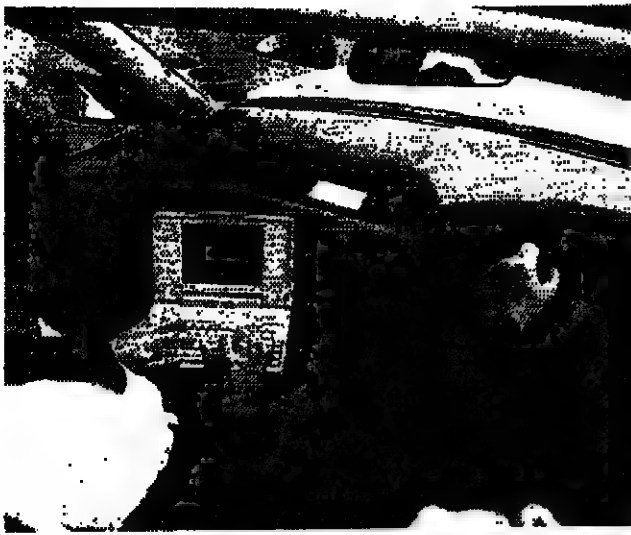


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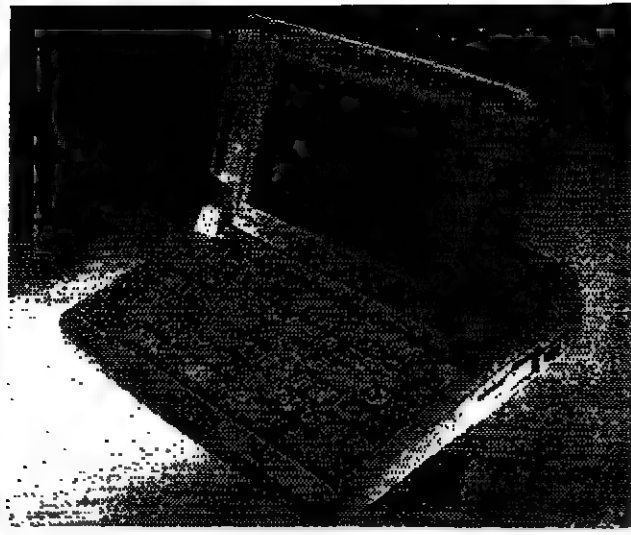
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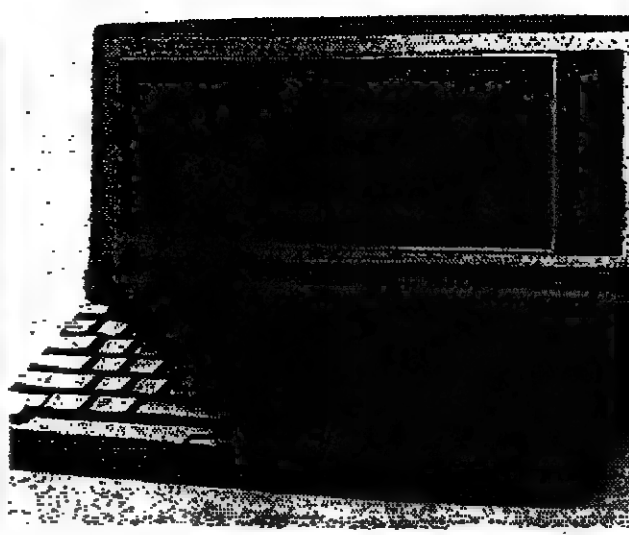
## PORTABLE COMPUTERS 8



Vortec Notebook: used by the Metropolitan Police



The Tandy 1100 FD portable computer.



Sharp Electronic's PC-3000 paintbox computer.



New from AEG Olympia: the Lapbook SX

## From palmtops, notebooks and lapbooks...

For the buyer, there is a daunting array of portable computers on offer. Here, and on the following two pages, JULIE HARNETT looks at a selection of machines in each category, from top-of-the-range to budget models.

WITH a flood of new portable computers coming on to the market, the competition will become even hotter during 1992 as the players fight for market share. However, while you - as buyer - win because prices become keener by the day, you could lose if you buy the wrong machine.

Continual improvements in technology mean the life-cycle of a portable PC today is about nine months at best. You could easily find that, by the time you have signed on the dotted line for the machine of your choice, it has already been

superseded by a more powerful, lower priced version. What is the answer if increased performance is anticipated? Accept the fact that you might want to change your portable every year or look for a machine that can be upgraded, i.e. the working memory can be expanded from the initial 1Mb or 2Mb to 8-10Mb or more; the display screen can be changed from, say, a mono to a colour; and there are expansion facilities for adding additional storage facilities, modems, printers and so on.

Unless you are a first-time

user wanting to cut your teeth on a basic portable PC or simply need a portable for occasional personal use at home or away, beware being tempted to buy a unit simply because it is dirt cheap. It will be a total waste of money if it is based on old technology that cannot support the applications you want to run.

There are, quite literally, hundreds of portable machines to choose from ranging in price from £199 for an AS size palmtop PC to £10,000 for a power-breaker transportable based on the 80486 processor.

There are many variations in

between and, with increased competition from Korea and Taiwan, there will be many hundreds of models to choose from over the coming months. A survey commissioned by portable computer suppliers AST found that 75 per cent of users make their own decision on which portable PC to buy. Even among corporate buyers, 53 per cent is down to personal preference.

So what do they look for? The most important criteria in the selection process were screen quality, keyboard, hard disk drive, processor power and RAM.

Of secondary importance were weight/portability, battery life, design, price, manufacturer's reputation and service support; although the last two were higher up the scale for corporate purchases. The choice of machine will depend, essentially however, on what you want to do with it.

To give an example, a palmtop will be more than adequate if you need a pocketable unit that can handle spreadsheets, diary and address book organisation, basic text processing, data capture (e.g. stock control) and database enquiries. If you are a graphics

designer or engineer wanting to run sophisticated applications such as desktop publishing and computer-aided design software, you will need a power portable boasting a fast processing speed, large RAM (working memory), high resolution colour screen and high capacity hard disk storage, with each graphics image taking up the space of four pages of text on average.

The most popular applications, according to AST, are based on Windows 3.0. Wise buyers will look carefully at software licences. Until recently, you had to buy a separate software package for your desktop version to avoid falling foul of the copyright laws.

WordPerfect took a lead by allowing users to make a copy of WordPerfect for Windows, providing only one version of the software is being run at any one time.

A point to bear in mind is that Windows requires at least 2Mb of RAM, *ipso facto* you are going to need a more powerful portable, perhaps one with a colour screen, the quality depending on whether it is simply for personal viewing, for business presentations or for detailed graphic design applications. (see page four for article on software)

Another point to bear in mind is that there are a number of different display technologies, some of which are very difficult to view in the best of times. (see page four for article on screen technology) is the amount of detail you wish to see.

For the latest in mono displays, look for the VGA (video graphics adapter) standard, with 32 grey-scale levels.

Weight will be important if you intend to carry your portable around in a briefcase for any length of time.

A notebook PC may only weigh 5 lbs, but add an extra rechargeable battery pack, mains adapter and external floppy disk drive and the weight could well match that of a power portable.

Incidentally, if you intend to use your portable overseas, watch out for mains power adapters that plug straight into the socket.

When plugged into an intermediate international power converter, they tend to slip out because of the weight. (For more details about battery power, see page four).

Other points to bear in mind include compatibility with your desktop PC, particularly if you want the convenience of being able to use the same disks; expandability, with extra sockets important if you want to add a modem, printer, and fax card; data integrity, with solid state disks being less vulnerable to damage than rotating magnetic media; and storage capacity, particularly if you are an information hoarder who hates to delete files.

Palmtops - personal organiser or PC companion

Palmtop PCs are small and light enough to carry in an overcoat pocket; they use little power to provide several days of red-light use per battery charge; can exchange files with a desktop PC; and are affordable, being priced between £199 to just over £1,000.

For those on a budget who do not need to run standard PC applications but do need a personal organiser, diary scheduler, calculator, basic text editor and address book, units to look at include the Sharp IQ and the Microwriter Agenda, which offer PC communications, i.e. provide you with the ability to upload/download information in ASCII text format, as opposed to fully formatted documents.

If you need MS DOS compatibility, i.e. want to run standard PC applications, in a machine no bigger than a video cassette, the palmtops to consider include the Poqet PC and the various units designed with the help of DIP, the British pocket computer experts.

They include the DIP Pocket PC, Atari Portfolio, Hewlett Packard HX 95LX, Sharp PC-3000 and Telematica Leo.

DIP is convinced that the best seller in 1992 will be the Sharp PC-3000. Priced at £749 plus VAT, it features 2MB of system memory; 77-key QWERTY keyboard; 640 x 200 resolution black and white LCD screen;

inbuilt software which includes diary, phone book, calculator and text editor; and optional external 3.5in floppy disk.

Most interesting of all, it is PCMCIA (Personal Computer Memory Card International Association) compatible, which means it can take solid state memory cards which offer low power consumption, greater storage capacity and increased reliability. (see page 6).

Backed by such leading industry players as Intel, IBM, Microsoft, Lotus and WordPerfect, PCMCIA is set to become the pocket computer standard, enabling users to plug in and go with all the popular PC-compatible software.

The Poqet PC (£999) also takes PCMCIA-compatible slot-in memory and application cards, provides 100 hours of use on standard AA-size alkaline batteries and features a full 80-character by 48 line display. Touch typists will particularly like the newly designed 77-keyboard with its more positive action and separation of cursor keys from the shift key.

PC software available includes Lotus 1-2-3, Lotus Agenda and Lotus Works, WordPerfect 5.1.

Palmtops - for technophobes or action men

Though to some aficionados, the Palm MC range is still one of the more innovative around, its potential hampered only by the lack of long promised peripherals, Palm believes that its computer saviour will be the handheld Series 2, which has won a number of awards since its launch last Autumn, including the Best International Product award at Comdex/Fall exhibition in Las Vegas.

Priced from £199.95 inclusive of VAT, it is MS DOS compatible and supplied with built-in applications software which includes a fully featured word processor and database.

Using the same SSDs (solid state disks) as the MC range, it features a very clear screen, 16-bit processing power, multi-tasking operating system and graphical user interface. Thus, even technophobes should not suffer a long learning curve.

If you are looking for a handheld computer that will stand up to a hard life, the Husky 16 is worth considering. It comes in a tough, knock and water-resistant sealed case, making it ideal for service engineers, local government data collection, quality control, surveying, time recording and warehousing as well as applications in public utilities and the armed forces.

The most recent addition to the Husky ruggedised range of portables is the FS/2 which features a backlit LCD screen, weighs in at 26 oz and provides over 30 hours of battery run time. A 512K budget model is priced at £1,249, a 4Mb version £2,649.

Notebooks - state-of-the-art or budget priced?

If you are constantly on the move and work mainly from vehicles or hotel rooms, a notebook is an ideal solution.

Small and light enough to be carried in a briefcase, able to run off a battery, car cigar lighter system or mains power, there are budget priced models or power versions capable of handling most applications.

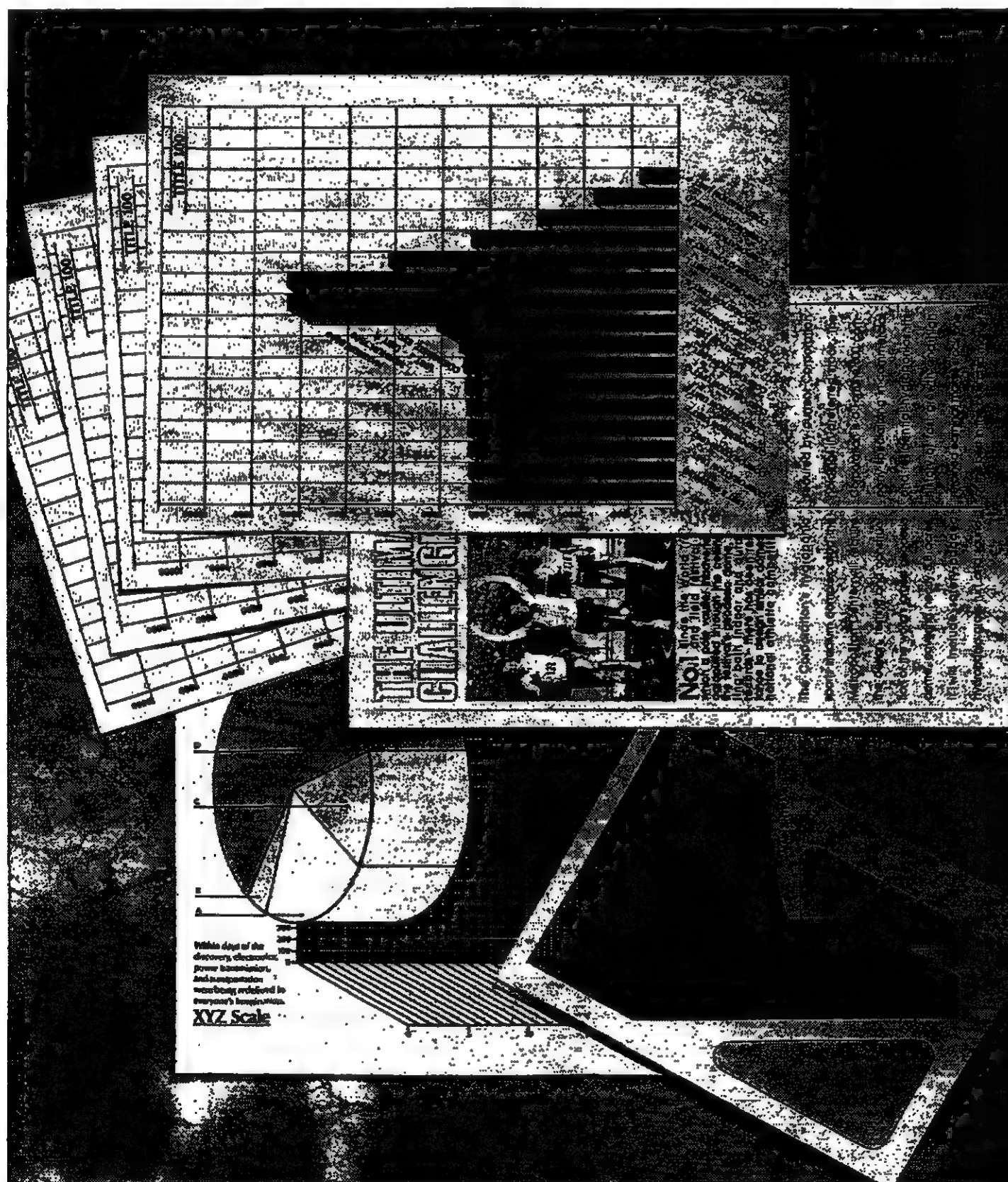
A drawback may be lack of expansion slots, which means you get only what you see, with no upgrade path. Notebooks like the TI TravelMate 2000 and Sharp PC-6220 which do not have an integral floppy disk drive will be a bonus to large organisations not only because cost will be lower but data security is enhanced since users will not be able to insert disks from unauthorised sources that may contain viruses.

Epitomising notebook PCs with integral 1.44Mb 3.5in floppy disk drive is the new Bowdell B330SX, which weighs in at 8.4 lbs; uses a 25MHz processor to provide a processing speed up to 50 per cent faster than a conventional 16MHz machine; and features a rechargeable NiCad battery and advanced power management system to give up to 4 hours of red-light use.

Priced from £2,499 list, it also has 2Mb RAM as standard.

Continued on facing page

## The best laser printers in the world.



You'll notice that we haven't added a modest "probably". Because if you want the best in laser printers, the Hewlett-Packard LaserJet is undoubtedly it.

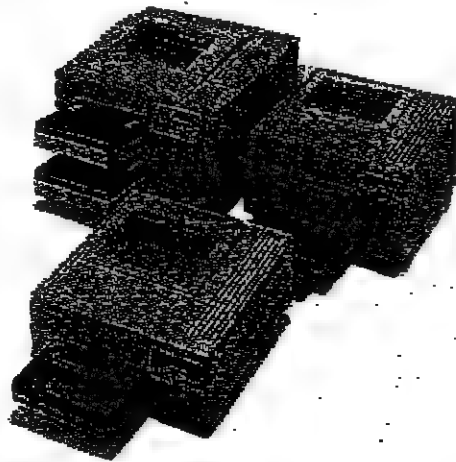
Today, over 5 million HP LaserJet printers are sharpening company images around the world, producing stunning results time after time.

What keeps these remarkable machines way ahead of the competition is clever new ideas. Lots of them. Like Resolution Enhancement Technology. Developed by Hewlett-Packard, it ensures lines so sharp, curves so smooth and blacks so black, that documents look as though they've been typeset.

HP LaserJets also use HP's PCL5 advanced printer language. This latest generation language allows new, fast vector graphics and a range of scalable fonts that enable you to turn even the most mundane document

into a thing of beauty. Not only is the HP LaserJet family a very gifted one, it's a complete one to meet your every need.

The latest addition is the HP LaserJet IIP Plus. Together with the HP LaserJet IIP, it puts



LaserJet print quality where you want it - on your desk. Then there's the industry standard HP LaserJet III and its big brother

the IIM with its superb paper handling ability. For quality allied to the speed modern business demands - an outstanding 16 pages a minute - HP LaserJet IIMSi has no rival. Any of them will make your work look brilliant.

HP LaserJet printers. The best. And there's no "probably" about it.

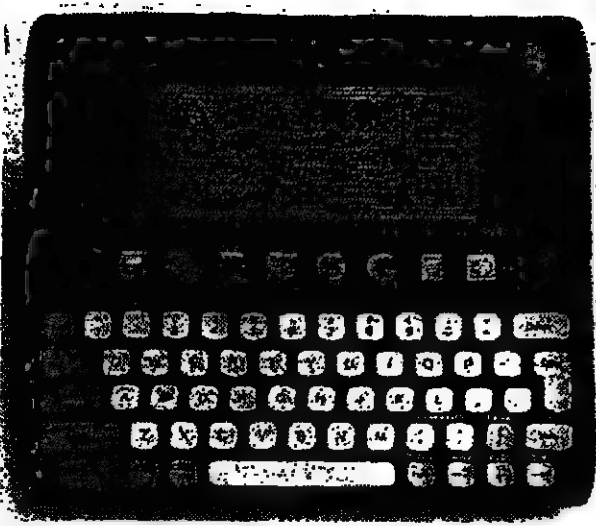


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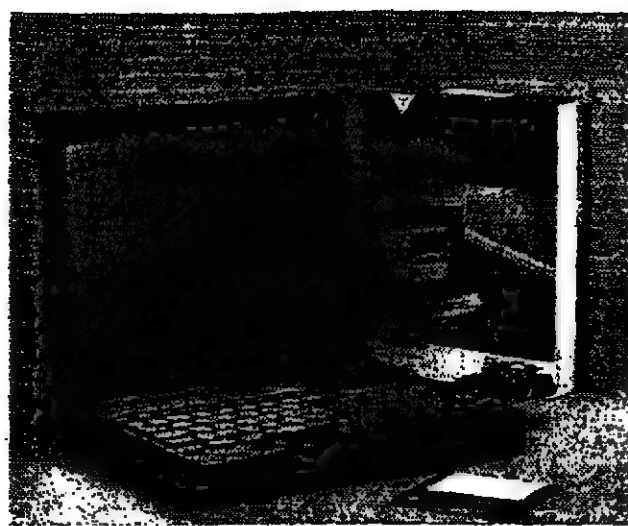
THE POSSIBILITY MADE REALITY



## PORTABLE COMPUTERS 9



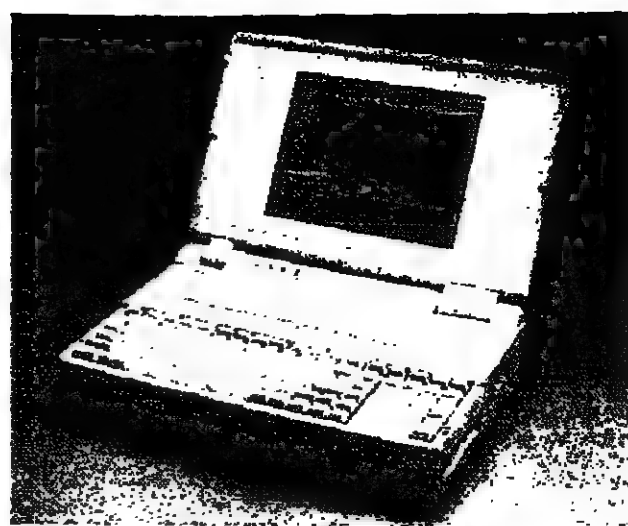
Pocket-sized Palon Series 3



T's TravelMate 3000 Win/386



Panasonic's Notebook CF-370



Toshiba's T8400SX with 120Mb hard disk

## ... to notepads, pen-based systems and laptops

Continued from previous page

30Mb capacity hard disk, 1.44Mb 3.5 in floppy disk drive, triple super-twist VGA screen and a PC alarm to guard against both physical removal and unauthorised access to data.

If you want to run your portable all day on battery power, the state of the art is the Zenith MasterPORT 386SL notebook (see page one). It uses the Intel 386SL processor which has been designed specifically for portable PCs to prevent mid-day battery failure.

The machine gives up to eight hours' use from one battery charge and, to conserve power, features the Premier Management Systems with Rest Resume mode, which resumes your work at any point and saves it for up to 30 days.

Priced at £2,995, it is one of the many portables PCs available at low prices from the mail order company Action Computer Supplies.

The new Compaq LTE Lite/Lite/386 and Lite/386SL-based

notebooks are based on the same processor with the most notable features being hardware and software security, enhanced battery-life control, improved keyboard layout and stand-by and hibernation modes.

Action prices are £1,399 and £2,149 respectively. Also 386SL-based, the new Toshiba T3300SL notebook features a 64Kb cache memory which is claimed to make the 25 MHz processor operate over 50 per cent faster than Intel's 386SL chip; six hours of battery life; and PC-to-mainframe communications capability.

For those on a budget, keep your eyes peeled for the numerous special deals advertised in the national and computer press. As an example of the drop in prices, the Tandy 1100FD notebook is now some £300 lower at around £425. It may only have a single 720K floppy disk drive, which could be inconvenient if you use an AT-compatible desktop PC but, on the plus side, it runs for 4.5 hours on a rechargeable bat-

tery, is supplied with DOS and applications software which includes a text processor, has a full-size 84-key keyboard, parallel and serial interfaces, modem port and optional 1Mb expanded memory card.

Notebooks now priced around the £350 mark that do incorporate the higher capacity 1.44Mb floppy drive include the Panasonic CF-170. With 640K memory, 30Mb hard disk, 9 in easy-viewing backlit super-twist LCD screen and parallel/serial interfaces, it offers four hours of battery life.

But if you need more power at your elbow, expect to pay £2,251 for the 386SX-based Panasonic CF-370. Another example of lowering prices in the power end of the Notebook market is the 30MHz 386SX-based TravelMate 3000 from Texas Instruments which was priced at £3,395 when launched a year ago. Now priced at £1,795, it is A4 size, no more than 46mm thick and weighs in at 2.5kg, which includes a 30Mb hard disk, integral 1.44Mb 3.5 in floppy disk, 2Mb memory

expandable to 6Mb, 10 in side-lit super-twist LCD display with 32 grey levels, full function well-designed keyboard and LeptLink file transfer software.

## Notepad computers and pen-based PCs

A variation on the notebook in terms of size and, indeed, processing power, the notepad is different in that it has no keyboard; you write on it with a cordless pen. There are a number of systems poised to enter the market, held back mainly by the lack of software - although over 250 software developers are doing their best.

Ideal for collecting data in the field, typical applications include retail stocktaking, surveying and data logging at industrial sites. The first pen-based PC was launched by GRID Computer Systems, now part of Victor Technologies, which supplies a broad range of portable PCs, see page seven. The GRIDPad pen-based unit incorporates a blue reflective

display which makes it ideal for use by anyone who works at night or in adverse lighting conditions, e.g. truck drivers, repair crews and the police. Customers include Commercial Union, Equity & Law, Ford, Land Rover, the Armed Forces and Andaz, the vehicle damage assessment company.

The latest version is the GRIDPad/HD which incorporates a hard disk drive and is priced at £2,549. The new GRIDPad/RC is priced at £2,049 and uses PCMCIA-compatible static RAM cards. The most recent package to be launched is PenForms which enables any user to design custom screen layouts for any kind of electronic form-filling in the field.

The other main contender in this market is NCR. Said to be the first to understand everyday handwriting, the pen-based NCR 3125 has the potential, say the company, to have as dramatic an effect on working life as the introduction of the photocopier or personal computer.

Based on the Intel 80386SL processor and priced at £2,995, it is able to recognise and record upper case, lower case and annotations and is designed to provide a cost-effective solution for users who find a keyboard an impediment to data input or who are struggling with time-consuming paper-based procedures.

## Laptops - for finance and sales

IBM is targeting the financial services sector with its PS/

2 L40SX laptop which provides full support for client service and sales management. Priced at around £2,500, it is based on the 20 MHz 80386 microprocessor for fast execution of advanced business programs, including those designed for IBM OS/2 and Microsoft Windows. It is supplied with a 50Mb hard drive, super slim 1.44Mb 3.5 in floppy drive. Plus-points include an 85-key keyboard with full-sized keys; 10 in super-twist nematic LCD display with 32 levels of greyscale; and an optional auto-sensing AC adapter which adjusts for local power conditions in any country.

Expansion facilities allow instant connection of external VGA, serial, parallel and keyboard pointing devices as well as the IBM desktop expansion unit. It uses an advanced NiCad battery with battery backup and advanced power management systems, with optional quick charger and car adapter.

You may expect to see a whole series of portable PCs from IBM in 1992. At the budget end of the power laptops is the Laptop SX from AEG Olympia which is slightly larger than an A4 notebook size PC and less than half the weight of a laptop (3.5 kg).

Based on the 50MHz processor running at 20MHz, it incorporates a fast access 40Mb hard disk drive, 1.44Mb 3.5 in floppy drive and 1Mb of memory which is expandable to 5Mb. It also has a low power page white backlit LCD display and uses batteries giving 3 hours of use. List price is £1,995, which

includes free on-line telephone support.

## Colour - for presentations and computer-aided design

An example of state-of-the-art in portables offering business presentation-quality colour screens is the Sharp PC-8501 which is based on active-matrix TFT (thin film transistor) backlit LCD technology which supports 256 displayed colours simultaneously out of a total palette of 262,144 colours and offers a high contrast and definition regardless of viewing angle.

It has a 2Mb memory (ideal for Windows applications) and features a 100Mb hard disk drive, a capacity designed to support disk space hungry graphics applications.

The drawbacks? It is mains-powered only and the list price is £3,995, down from the launch price of £4,500; although available through Action Computer Supplies at £4,195.

Those on a budget can still get access to Sharp's high performance colour display capability, but on the new ACL-386SX 30MHz laptop from Amstrad, the UK market leader in terms of portable PC sales. Expected to become the company's best seller for 1992, the list price is £3,995 plus Vat and it incorporates 4Mb of main memory and a 120Mb removable fast access hard drive for high capacity storage and data security.

A bonus is that it runs off

removable rechargeable battery pack with built-in charger and internal auto-switching mains power supply and utilises a 20MHz microprocessor.

## Dual purpose - from portable to desktop

Anyone having to work to tight business budgets has limited desk space available or wants the convenience of a two-in-one computer, then a dual-purpose portable-cum-desktop unit is really worth considering.

Typifying the genre is the Walkstation range of notebooks and laptops, designed, developed and manufactured in Germany by Triumph-Adler, part of the Olivetti Group. Innovations include zero-pressure connection to a desktop docking station and docking printer; a detachable clip-on mono screen which can be replaced with a colour display at a later date - making it virtually "future-proof". It also has an integral mouse and, for the foreign traveller, an intelligent power unit that can work across many voltages and frequencies and the ability to interface to a range of peripherals including CD-ROM drives.

The current promotional price of the top of the range 386/33 60Mb version is priced at £2,995 (normally £4,195).

At the top end of the dual-purpose portables is the 386-based Unisys PowerPort DX1 which comes with 120Mb drive, 3.5 in 1.44Mb floppy

Continued on next page

## Increasing interest being shown in insurance, banking and sales and marketing sectors

## Laptop users: senior managers and directors top the list

INTERESTING extremes are emerging in the laptop computer market - one group of end-users seeks high-performance and highly-functional desktop machine substitutions, while another group demands smaller, lighter weight, battery-powered computers for more simple solutions.

These trends are highlighted in a report on portable computer markets by the Market Intelligence Research Corporation (MIRC), which estimates that world sales for these machines this year could be more than \$5.6m. This represents an annual growth rate of 10.5 per cent, rising to 11.8 per cent next year.

## Profiles of typical users

But who are main users of portables - particularly laptops?

In the US, there is a higher percentage of users among direct sales teams and mobile workers than in the UK, but this will change with the lively interest being shown in Britain in such sectors as insurance, banking, auditing, sales and marketing, field engineering and management consultancies.

A survey in the UK of computer-users working in companies with more than 500 employees, the majority of users - for the moment - are senior managers or directors, (84 per cent).

One-in-five are professionals and consultants, according to the report by AST Europe, the personal computer manufacturer, and IDG Communications. The percentage of portable computer-users and their job titles were as follows:

Director, partner: 18 per cent.  
Managing director, principal: 11 per cent.  
Data processing manager, information technology manager, 11 per cent.  
Other managers: 14 per cent.  
Professionals, consultants: 19 per cent.  
Engineers, scientists: 5 per cent.  
Administrators, 8 per cent.  
Analysts, officers: 11 per cent.

In companies where users have both desktops and portables, they spend an average of 8.5 hours a day on the former and only 2.5 hours a day on the portable. But those without desktop machines use the portable for an average of 3.8 hours a day.

In a survey of use by location, portables were used for 87 per cent of the time in the office, 34 per cent at home and 19 per cent in other people's offices.

More than half of users said they found their portable to be "even more valuable" than they originally expected. One-in-five said they were also using the portable for new applications.



A new portable system helps Barclays Life representatives advise on school fees and other personal finance needs.

While portability was considered the main benefit of the machines (36 per cent), the executive's ability to work outside the office was rated at 10 per cent, with increased efficiency and ability to work more productively rated at eight per cent.

## Management research programme

Despite the increasing number of managers who use portable computers, surveys of senior executives attending development courses at a leading management training centre in the UK show that "only a small percentage have any sustained appreciation of information technology in the management process."

Monica Seeley, programme director of the Sunningdale Park Management Centre at Brackley, Kent, says that information and forecasting tasks, traditionally performed by middle managers, can now be undertaken by the senior manager on his or her laptop, wherever they may be.

The power and ease-of-use of today's portables leads to the radical conclusion that only the computer-aided manager will survive and flourish in the 1990s," says Ms Seeley. Now the centre has begun a three-year research programme to study the impact of information technology (IT) and how managers should organise their careers paths in order to acquire IT and managerial skills to operate more effectively. This research will be conducted jointly with Professor John Beaumont at the School of Management at Bath University.

"Analysis will identify what exactly are the skills and mindsets of managers who use IT effectively in business," adds Ms Seeley. "This will be done by comparing the career paths of 'IT advanced' and 'IT retarded' managers."

"A comparison will also be made of the organisational frameworks which advance and retard the effective use of

## Barclays goes portable

In one of the largest portable computer contracts ever placed in the financial services industry, Barclays Life Assurance - part of the Barclays group - has ordered 1,500 Toshiba computers for its entire sales force.

The machines will be used to help build Barclays life assurance, pensions and investments business. The company made a six-month appraisal of portables computers on field tests from various manufacturers before deciding on the Toshiba model T3300.

The machines will run tailor-made "Supercap" software, developed by Microlex Systems of Derby. The system enables Barclays Life sales staff to make swift and detailed presentations and forecasts for customers. Toshiba's researchers claim that executives "can expect around a 30 per cent improvement in sales performance using the latest in portable sales technology."

## Sales force computes on the move

Life Association of Scotland (LAS), the financial services company, has bought 290 Tandon Notebook portable computers for use by its direct sales force who need lightweight machines while on the move.

The LAS evaluated eight models of notebook computers from various suppliers before selecting the Tandon NB/386sx which runs at 20 MHz and weighs just 6.5lbs (3.1kg). The model has a 10 in VGA monochrome backlit LCD display which allows the user to operate industry-standard software while on the move.

## Fast-growing portable printer market

More than 300,000 portable computer printers are likely to be sold in Europe this year,

according to a new survey by Citizen Europe, the computer printer and monitor manufacturers. This figure is likely to rise to 550,000 units a year in 1995.

"At least one-in-four buyers of portable computers also require a printer," says Anthony Odhams, a senior manager at Citizen. "Our forecasts suggest an overall market growth from 1990 to 1995 of nearly 244 per cent."

What is claimed to be one of the world's smallest A4 portable printers has been launched by Citizen, a wholly-owned subsidiary of the Citizen Watch company of Japan.

At 1.17kg, the PN46 Notebook Printer is half the weight of many of its competitors and easily fits into a standard briefcase.

The machine is a non-impact device with a high resolution printhead to give letter-quality print, comparable with the output of some laser printers. Text and graphics can be combined on one page at print speeds of 33 cps in letter-quality. The UK retail price is £325, plus VAT; (includes NiCad battery).

Among innovations in the sector, the Irish-based company, Ferrrotec has plans to produce its new plain paper portable printer (the EXPR54) both in France and Ireland. Ferrrotec, part of Groupe Bull, has the capacity to produce 3,000 printers a month. Ferrrotec's new printer will be launched at next month's CeBIT '92 exhibition in Hannover.

Among contenders in the portable printer market - they include Toshiba's 201, Canon's stylish Bubble Jet (BJ-10ex), the Kodak Dicomix 190+, the Seiko Epson dot-matrix LT-30 and the Mannesmann Tally MT-738 - small is beautiful in the race to win market share.

The compact, high-quality Mannesmann printer can emulate both dot-matrix and laser printers.

Toshiba claims to have the smallest and lightest portable printer on the UK market in the ExpressWriter 201, which weighs 1.9lbs (0.85kg) and measures 11.9 by 3.1 by 1.7 in. It uses 24-dot thermal transfer and prints on thermal or standard office paper, using a ribbon, to produce letter-quality output. The ExpressWriter is priced at £285. It will print continuously for an hour using a detachable battery (weighing 0.55kg), available as an option for £40.

Michael Wiliamshire

"Opportunities in Portable Computer Markets: Market Intelligence Research Corporation, 45 Rue Vandenhoeck, 1150 Brussels, Belgium."

"AST Europe, 2 Goat Wharf, Brentford, Middlesex, TW8 0BA, tel.(081) 565 4850."

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## THE PHILIPPINES

Monday February 17 1992

## SECTION IV

As the Philippines moves towards a democratic transfer of power, many Filipinos approach this milestone disappointed and impatient at what they believe is a lack of progress towards both economic and social stability. Yet a new president will take over amid signs of renewed optimism. Richard Gourlay reports

## Rocky road to transition

SIX years after President Ferdinand Marcos's 20-year grip on power was broken in a popular rebellion, the Philippines is again approaching a turbulent transition. Despite seven coup attempts, President Corason Aquino has confounded her detractors by surviving and is steering the country towards that rare south-east Asian event, a democratic transfer of power. Judged by the yardstick of democracy, a peaceful hand-over after the May elections will be viewed as a significant achievement for Mrs Aquino. Yet the restoration of elected institutions has been fraught with difficulties and has yet to provide the foundations for the kind of economic growth enjoyed by most of the country's neighbours.

Swept along by understandable but unrealistic optimism immediately after Marcos fled in 1986, many Filipinos expected the transition to be a smooth and unproblematic process. They were disappointed and impatient at what they saw as a lack of progress towards economic and social stability.

The path to a more predictable future has been complicated by the sudden departure of US bases from the Philippines by November this year. Triggered by the Senate's refusal to ratify Mrs Aquino's new treaty with Washington, the closing of the bases heralds fundamental changes in the often emotional relationship between Philippines and their former colonial rulers. The

importance of the Philippines to US projection of power in the Pacific was bound to diminish with the collapse of the Soviet Union and Washington's loss of interest. Yet the abrupt end to the historic relationship and the immensity of the withdrawal have yet to be fully appreciated. Quite suddenly the Philippines will have to strengthen its ties with Asian neighbours and come to terms with the growing regional importance of the old adversary, Japan.

The looming elections have so far provided few pointers as to how the Philippines will emerge from this transition. In an atmosphere somewhere between high drama and farce, eight serious candidates have lined up to succeed Mrs Aquino, including Mrs Imelda Marcos, the former First Lady accused of looting millions of dollars from her country.

Mrs Marcos faces more than 100 charges ranging from money smuggling to theft, and probably stands little chance of winning the election. But she is well enough financed not to be written off as a nuisance candidate.

Against this background of uncertainty investors are once again intoning the familiar refrain - "wait-and-see". This is exactly what the Philippines could do without as the country emerges from a year of negative 'per capita' economic growth.

Yet despite the destabilising effect of the elections, the

doom that hung over the economy for much of last year is beginning to lift. Foreign exchange reserves are at an all time high as migrant workers, driven abroad by the eruption of the Mount Pinatubo volcano, remit more dollars. A revenue-raising levy has slashed imports. Money already pouring back into the country to fund election campaigns is also expected to fuel a consumer-led boom which optimists hope will tide the country over until investment can lead recovery after the elections.

This recovery could, however, be substantially diminished if the main opposition candidate is elected. Mr Eduardo Cojuangco, the most accomplished of Mr Marcos's business cronies before he fled with the dictator in 1986, is still widely suspected of favouring the protected, monopoly-dominated form of capitalism nurtured by his former boss to the lasting detriment of the country. If he wins, investors could well go to ground, Manila's businessmen fear that a similar cocktail of

inward-looking economic nationalism could be ushered in by Senator Jovita Salonga, the Liberal candidate. On the other hand, should either of the ruling LDP party's two candidates win, there is likely to be a continuation of recent movement towards economic liberalisation. The LDP's chances have been weakened, however, by Mrs Aquino's endorsement of retired General Fidel Ramos as her preferred successor, rather than Mr Ramon Mitra, the Speaker, who won the nomination of his party's delegates.

It is an example of the sort of decision made by Mrs Aquino that has bemused observers and lost her much of her early rapturous support at home and abroad. Despite an enviable mandate for change, she is now widely criticised as having led a government of missed opportunities. Most damaging has been the administration's inability to control the nationalist-dominated Senate, even though Mrs Aquino hand-picked most of the incumbents. The Senate's refusal to

endorse her decision to prolong the US bases agreement was one of its more notable acts of rebellion.

Yet at the eleventh hour, the Senate fell into line with the administration on the equally crucial question of economic management. By passing new revenue-raising measures during its last hours in session, the Senate has given the new administration a chance to tame the burgeoning domestic debt which has kept local interest rates high and discouraged investment.

The new measures also appear to have persuaded the International Monetary Fund to approve a new austerity programme which clears the way for new foreign aid and an important rescheduling of \$5.5bn of commercial debt.

In any case, to lay all blame at Mrs Aquino's feet, as her

critics are doing, is simplistic. Many of the problems she has confronted were inherited and would have been passed onto the next president whoever replaced Marcos. Foreign debt, now standing at \$29bn, has been a running sore. And the army, for so long the policeman of martial law, has steadfastly refused to accept that it should be subservient to civilian government. Few observers will put money on the military remaining in their barracks.

More reasonable Filipinos, while welcoming the likelihood that almost any new president will provide more decisive leadership, nevertheless point out that Mrs Aquino leaves some solid foundations on which to build.

The communist-led insurgency, for example, has been badly damaged not only by the collapse of role models in east-

ern Europe but also by Mrs Aquino's commitment to democracy. Delivery of some basic services such as roads, schools and healthcare to remote areas might be the clinching final blow against the guerrillas as it was against Thailand's insurgents in 1984.

On the economic front, the dismantling of the big Marcos monopolies and crony capitalism, while not complete, has liberated local entrepreneurial flair, particularly in the important Filipino Chinese community. All they would seek from a new president is a continuation of the process that is slowly edging government out of business. Last month's privatisation of Philippine Airlines was the latest successful move along this path.

If the government supplies the stability and better infrastructure - the country is facing a serious power shortage - business will resume investing, greatly increasing exporters' flexibility and reducing red tape. And it has begun to undo damage done to foreign investor sentiment by Supreme Court interference in a Taiwanese company's plans for a \$250m petrochemical plant. After the court's ruling, the investor packed his bags and went home.

The new investment code now explicitly presumes projects are acceptable unless specifically excluded, reversing the previous rules that said most investments needed regulatory approval.

These reforms remain, however, humble beginnings compared to what Thailand, Malaysia and even Indonesia have already achieved. But as the country moves chaotically out of the gloom of the Marcos years, Filipinos who can look beyond the clamour of the forthcoming elections are nevertheless testering on the verge of optimism.

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## POLITICS

## An appetite for tittle-tattle

NOBODY could accuse Filipinos of not taking their politics seriously. Every morning in the coffee shops of any hotel worth its salt, politicians, pundits and the press spend hours talking over the members of the previous day's political intrigues. More often than not the talk is of personalities and parties; rarely, it seems, of policy.

For the next three months even the coffee-shop cognoscent's appetite for political tittle-tattle may be tested. On May 11, the country votes for a new president to replace Corason Aquino. The election will be the first time in the country's history that an incumbent has not stood for a second term and the first time since 1989 that elections have been held according to a timetable laid down by the constitution.

The scale of the exercise, as much as the event, has set the country alight. When registration closed, the voters had choice of 75 presidential candidates - or "Presidentialables" as they are locally called - eight of whom were considered "serious" contenders. As if this was not confusing enough, voters will also elect 25 senators - from 286 hopefuls - and 12,000 local officials.

Not surprisingly, politicians fear that voters will be somewhat confused. Accustomed as they are to violence during elections, the politicians are also ominously warning that the elections could be marred by bloodshed.

With three months to go before polling, the serious contenders were splitting into two fields. Emerging as front-runner was Mr Ramon Mitra, Speaker of the House of Representatives and a leading member of the LDP, the largest party in the ruling coalition. Mr Mitra held pole position by dint of the strong party machinery he has developed nationwide rather than a strong personal following. (See profile, Page 4)

Rapidly gaining credibility was Mr Eduardo Cojuangco, the estranged cousin of Mrs Aquino and the late President Ferdinand Marcos's most accomplished business associate during 14 years of martial law. (See profile, Page 4). Sounding his overtly in favour of the monopolistic capitalism he helped perfect under Mr Marcos, he was trying to harness the support of Filipinos disenchanted with a perceived lack of clear leadership.

Also in the first field was retired General Fidel Ramos. He is a contender, largely because he received the personal support of Mrs Aquino who, confusingly, chose not to back Mr Mitra, the head of her ruling coalition.

Some way behind these three were Mrs Imelda Marcos, an anti-graft campaigner who scored highly in opinion polls but had almost no party machinery; Mr Joseph Estrada, a movie matinee idol; Mr Jovita Salonga, the former President of the Senate and leader of the Liberal party; Mr Salvador Laurel, the Vice-President who fell out with Mrs Aquino almost

as soon as she came to power when the position of Prime Minister he was to have filled was abolished; and Mrs Imelda Marcos, widow of the late president who is facing a score of corruption charges and whose greatest asset in the presidential race is said to be access to large amounts of cash.

Some in this field will wither and others will come from behind. The only certainty is that any successful candidate



Cardinal Sin: turbulent prelate with a powerful spiritual voice



Corason Aquino: a lack of interest in the pragmatic art of party building

will need the support of the Roman Catholic church, or at least its neutrality.

In the predominantly Roman Catholic country, the most powerful spiritual voice is that of Cardinal Jaime Sin, Manila's turbulent prelate. Although he sometimes limits himself to utterances of Delphic obscurity - he says he lives in a "House of Sin" - it is almost inconceivable that he will not come down in one candidate's favour. After all, he too, regularly holds political breakfasts for journalists.

Equally important is the support of the Iglesia ni Cristo, a conservative Christian sect founded in the Philippines. Unlike the Roman Catholic Church's influence over its flock, which is strong but not binding, Iglesia's four million voters have tended to vote as their leaders say they should vote, potentially giving one candidate a crucial block vote.

Mrs Aquino's own influence on the election has been limited. Mr Ramos's campaign has been slow to take off despite her endorsement and she has also failed to lure her influential brother, Jose Cojuangco, from the Mitra camp. This is a notable breakdown of the kinship on which much local political power is based.

Her limited impact stems partly from her lack of interest in the pragmatic art of party building - a quality many Filipinos admire. In her last months in power, she has channelled her energies into so-called non-governmental organisations which by-pass the government machinery to deliver services and livelihood programmes directly to poor communities.

But it is also a fault of a flawed constitution. By allowing a president only one six-year term, it has transformed Mrs Aquino from the supremely powerful patron early in her term, to something of a lame duck.

Politicians are already talking of revising the constitution after the next elections to rectify this. They are considering reverting to a maximum of two four-year terms.

They are also considering replacing the congressional legislature with a parliamentary system. When Filipinos changed from the parliamentary form in 1986, they were throwing out an institution whose main purpose had been to rubber stamp decrees issued by Marcos during martial law.

Some politicians now believe that a parliamentary system, incorporating elements of the French presidential system, might swing the balance of power back towards the executive without unduly weakening the checks and balances.

Few pundits suggest a parliamentary system is the immediate panacea for all the country's ills or the chronically fragmented political scene so vividly demonstrated by the plethora of presidential candidates. It would, however, provide plenty of opportunity for lengthy coffee shop debate.

Richard Gourlay

## Dazzling Whites.



Beauty: The best and the brightest. Dazzling Whites. A person in a white outfit, possibly a dancer or performer, in a dark setting.



Beauty: The best and the brightest. Dazzling Whites. A person in a white outfit, possibly a dancer or performer, in a dark setting.

## Neon Nights.



Beauty: The best and the brightest. Neon Nights. A person in a white outfit, possibly a dancer or performer, in a dark setting.

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you'll know why we're counted among the best musicians in the world. There are restaurants, discos, bars, lounges galore - in Manila, it's hard to run out of choices.

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## THE PHILIPPINES 2

Victor Mallet reports on the economy

## Important issues still need to be tackled

ANGUISHED Filipinos often ask themselves why their country, which was once among the most prosperous in Asia, has been left behind by its rapidly developing south-east Asian neighbours.

Several explanations spring to mind. The late President Ferdinand Marcos, overthrown in 1986, bequeathed a burdensome legacy of foreign debt and corruption and his supporters have undermined economic confidence by trying repeatedly to unseat President Corason Aquino with a series of botched coup attempts.

Mrs Aquino herself has failed to reduce the glaring inequalities between the mass of the Filipino people and the oligarchy of ruling families which dominates agriculture and business and which likes to protect local industrial ventures behind high tariff barriers.

Above all, her government and the Congress have fallen prey to the temptation to bow to popular pressure at moments of crisis, first taking necessary decisions and then watering them down so much that they hardly do anything to address the original problem.

Such tendencies are not new; earlier this century the flamboyant Filipino politician Manuel Quezon criticised his rival Sergio Osmeña for taking politics too seriously. "Our people do not understand that," he said. "They do not want it. All they want is to have the present problem solved, and solved with the least pain. That is all."

Given the Aquino administration's early failure to fulfil the hopes of its supporters, the reformist economic record of 1991 and early 1992 is somewhat surprising. Whereas most politicians use their "honeymoon period" at the start of a term of office to give their citizens unpleasant economic medicine - and hope to reap the benefits of a healthy economy at election time - the Aquino Administration has done the opposite, letting the economy drift for the first few years and suddenly imposing necessary but unpopular measures shortly before the elections due in May.

Part of the reason for this change of attitude was the realisation by the formidable economic team of Mr Jesus Estanislao, the asst. finance minister, and Mr Jose Cuisia, the central bank governor, that the budget deficit, the trade deficit and inflation were threatening to run out of control in 1990.



Marcos (left) bequeathed a legacy of foreign debt and corruption. Finance minister Jesus Estanislao (right) realised that inflation was threatening to run out of control

At the same time the International Monetary Fund has been withholding its seal of approval until financial discipline is restored. By the beginning of this year, it was clear that the IMF's 1991 targets were going to be met, and the Senate's approval this month of a number of tax reform measures appears to have paved the way for an IMF endorsement of the Philippines, a move which would release IMF and other donor money and pave the way for a rescheduling of \$5.3bn of foreign debt.

The total public sector deficit fell from 5.8 per cent of gross domestic product in 1990 to about 3.7 per cent last year, and it is expected to remain under 3 per cent in 1992. Economists agree that the 1991 figures were in line with IMF demands but they caution against reading too much into the numbers; state spending was low because the budget was not approved until well into the year and capital expenditure, boosted again this year by road-building programmes, bore the brunt of the 1991 cuts.

"Last year can't be used as a test of political will for lowering the deficit," says one economist. Nevertheless, the government did inflict a certain

amount of pain to meet its targets. A special import levy of 9 per cent was in force, although it has now been lowered to 5 per cent and is to be abolished by June. Imports were stagnant, while exports rose about 6 per cent. The economy as a whole registered zero real growth, which meant falling living standards for the burgeoning population. This year real growth is expected to reach 2-3 per cent, approximately in line with the population growth rate.

#### In a confident mood, the administration has embarked on several important economic reforms

Some good news has lightened the gloom. Inflation has dipped to around 17 per cent and is expected to fall further. Textile exports and tourist arrivals are buoyant, the remittances of Filipino migrant workers in the Gulf and elsewhere are higher than expected, and oil has been found off Palawan. Gross international reserves rose to more than \$8bn at the end of last year. Now in a relatively confident mood, the administration has

embarked on several important economic reforms. Exporters are now permitted to retain 40 per cent of their foreign exchange earnings, instead of 2 per cent. Indeed, the ready availability of dollars - because of restricted demand for imports, and electoral campaigns financed by overseas dollar holdings - has all but eliminated the currency black market and strengthened the peso, leading to fears that the competitiveness of exports will be affected.

A new local government law gives local authorities expanded powers to raise taxes, which may encourage further regional development as pursued with notable success by the island of Cebu and the region of Cavite south of Manila. A new foreign investment law has been enacted to attract foreign capital.

On the negative side, a shortage of electricity is threatening industries in the southern island of Mindanao and there are fears that the main island of Luzon may also be affected. And while Filipinos hope for a consumer-led economic recovery boosted by election spending, the public sector deficit has helped to stifle productive investment by sucking savings into high-yielding treasury bills.

Attempts to cut the overall public sector deficit have been stalled partly by the problems of a central bank placed by liabilities dating from the Marcos era and costing some 300m pesos a year to service.

The bank's problems are not fully understood either in the cabinet or in the press, where it has been accused of inefficiency for making losses.

In the early 1980s the central bank was ordered by President Marcos to provide forward cover for the oil companies," says Mr Cuisia, who wants the government to take over the liabilities and leave the bank to handle monetary policy unhindered. "Now we have enough dollars we may unwind these swaps," he says.

Under Marcos, says Mr Cuisia, the bank was also ordered to acquire the obligations of state companies and to pay national subscriptions to bodies such as the IMF and the World Bank (for which a presidential decree forbade the bank to charge interest).

Nature has not been kind to the Philippines these past few years, inflicting an earthquake, a volcanic eruption, a typhoon and a catastrophic landslide on the islands. The economic recovery in 1992 and 1993 depends largely on whether the present government can hold its nerve up to the election and on whether the new administration will build on the reforms of the preceding year.

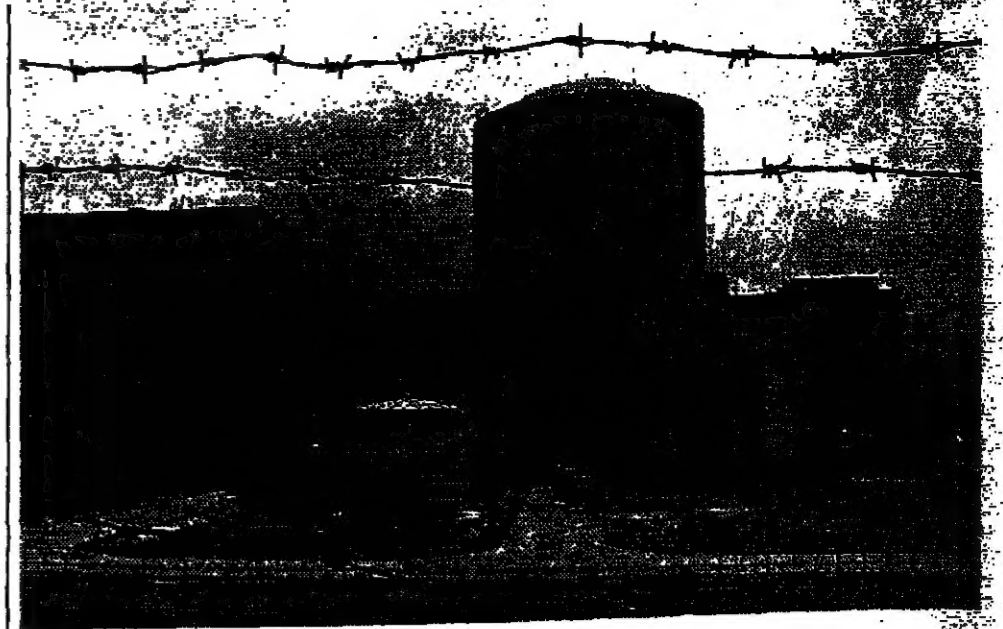
Several important issues still need to be tackled, including the state of the environment and the conservation of remaining natural resources in a country still heavily dependent on agriculture, fishing and forestry. The Economic Centre for Research and Communication says he is "excited about the future" because he believes the recent economic reforms will help the Philippines catch up with its partners in the Association of South East Asian Nations (Asean).

"The Philippines is part of the Japanese plan, so the Philippines has to be helped to develop by Japan," he says. "Japanese money is no longer going into Indonesia and Thailand because they are at maximum absorption. The Philippines is the last game in the Asean town."

Others are less optimistic that the Philippines can emerge from the economic doldrums of the past decade without decisive action by its own governments.

As Mr Estanislao put it in a speech last month: "The region around us has taught the rest of the world how to develop through exports. We have coined the appropriate slogans, but ask our exporters. All they ask is to be put on an equal footing with others. What has been our response until very recently? A clear preferential treatment for importers and industrialists who cannot see beyond the confines of our internal market; and a strong bias against exporters and agriculturalists who have been manfully scouring world markets for foreign exchange."

"Isn't it time we moved beyond slogans, and put substantive actions behind grand words?"



The 320MW nuclear power station in Bataan: abandoned before it was commissioned

#### ELECTRICITY SUPPLY

## Power crisis bites

NOT FOR the first time, parts of the Philippines are suffering from a shortage of electricity. The southern island of Mindanao has been worst hit and consumers have endured blackouts - or "brownouts" as they are known locally - for up to 12 hours a day.

Businesses - from cement factories to fish canneries, some of them lured to the island by the prospect of cheap hydro-electric power - have been forced to reduce their output or use their costly standby generators for extended periods. Prices of the affected products are expected to rise.

Further north, the grid for the island of Luzon and its capital Metro Manila has barely enough electricity to cope with demand, which will mean more power cuts if part of the ageing and over-stretched generating system fails. Had the economy been growing rapidly instead of stagnating, the shortages would be even worse.

The single most important cause of the power crisis - which, besides the elections, has become the country's hottest topic of conversation and controversy - is the lack of decisive action by the government to build new power stations. The government has not been helped, it must be said, by the popular tendency to complain about the financial losses and inadequacies of the state-owned National Power Corporation (Napocor) at the same time as protesting about modest increases in the price of electricity.

"Whereas in other countries with fast economic growth the price of oil and electricity is accepted as an economic fact of life," said an exasperated Mr Jesus Estanislao, finance minister, last month, "here it has remained a subject of endless debate and fruitless discussion." A drought affecting hydro-electric dams on Mindanao, a dispute between Napocor and the local community over the island's Agus I dam, and a range of environmental concerns have exacerbated the crisis.

Deforestation has speeded up soil erosion and silted up dams. Power stations on Luzon belching pollutants from poor-quality local coal have alienated nearby communities and are said to have reduced agricultural output.

The Japanese-funded Calaca project shows how badly things can go wrong. The first 300MW unit was designed to burn local coal shipped from Samar Island but the coal turned out to be of worse quality than expected and had to be mixed with Australian coal. The local coal was also inclined to catch fire spontaneously in the yard, causing further pollution and raising a storm of local opposition to the second 300MW unit.

A contractor was chosen three years ago, but the Department of Environment and Natural Resources (DENR) has declined to issue the environmental clearance certificate which would allow work to begin.

Meanwhile, a 300MW project to be funded by the Asian Development Bank at Madaya, a town near Manila, has been delayed apparently because the mayor has relatives in Calaca - although it has been designed to use higher-quality imported coal. Environmental and administrative delays have also affected geothermal energy projects and all the while the existing plant becomes older and more prone to breakdowns.

The authorities, although able to use the International Monetary Fund as a scapegoat for electricity price rises, are now learning the hard way that it might be worth facing a mild outcry today in order to avert power cuts and the inevitable anger of the public in the future.

But their response to the mounting power crisis has been to adopt expensive, quick-fix solutions, including the purchase of large-mounted diesel generators. Such increases in generating capacity as there have been in the past five years have come from these mobile barges and from the 200MW gas turbine project implemented by Hopewell of Hong Kong (the turbines were supposed to be used occasionally to top up supplies at times of peak demand, but their continued running is now essential simply to maintain the base load).

In Mindanao, Napocor is hoping for rain and negotiating to start operating the Agus I dam. "We really have very, very serious crisis in Mindanao at the moment," says Mr Pablo Malib, Napocor's chief executive officer. He admits candidly that the corporation has failed to explain itself properly to local communities affected by power projects.

President Corason Aquino, bowing to public pressure, has ordered a shake-up of Napocor's management and demanded that the DENR issue environmental licences to new power plants. There has also been demagogic talk of reviving a 320MW nuclear power station in Bataan, built by Westinghouse of the US but abandoned before it was commissioned by the Aquino government after the overthrow of the late President Ferdinand Marcos.

Even if the government launches a decisive energy strategy now, it will take several years before the country sees the results. The current power shortages are profitable for the foreign manufacturers of generators and power barges, but not for the Philippines.

Victor Mallet

#### THE MILITARY

## Doubts over democracy

SIX YEARS ago a failed military coup triggered the popular uprising that brought President Corason Aquino to power, ending 14 years of army-backed Marcos dictatorship. Seven attempted coups later it is clear that disgruntled sections of the army have not lost their taste for intervening in civilian government.

While none of the coups has succeeded, the durability of the democratic institutions which President Aquino restored is still in doubt as national elections loom in May. Mrs Aquino has constantly had to look over her shoulder at a section of her military that sneers at civilian supremacy.

Many of the officers with political ambitions look longingly at Thailand where the generals rule. But apart from their shared taste for intervention, similarities between the two countries are minimal.

Thailand generals go out of their way not to disrupt business. The Philippines rebels in the 1989 coup, however, seized and shot up hotels and offices in Manila's business district, disrupting the country's faltering economic recovery dead in its tracks.

There are some signs that the dissenters in the army are becoming less influential under General Lisandro Abadía, Chief of Staff of the armed forces. But it could take years before the military can be guaranteed to stay in their barracks at times of political tension. "Marcos established a constitutional coup with the support of the military," says General Rafael Ilet, National Security Adviser to the President, referring to the declaration of Martial Law in 1972. Then Mrs Aquino came to power in the aftermath of a bungled military coup against Marcos.

"The military have got used to coups," says Gen Ilet. Perhaps the most important



Gen Fidel Ramos: ordered the rebels to do press-ups after right-wing Marcos loyalists launched a bizarre coup attempt

change since the 1989 coup is that financial and political support for the leading renegade officer, Colonel Gregorio "Gringo" Honasan, appears to have dwindled. The army believes that a dozen rebel officers, including Honasan, and 100 enlisted men who took part still remain at large.

Honasan's organisation - the Reform the Army Movement (RAM) - has also lost much of the credibility it once enjoyed. During the 1989 coup, this junior officers' pressure group that claimed to campaign for professionalism in the army, openly linked with right-wing Marcos rebels in a crude grab for power.

To outsiders, the army's leaders still show an astonishing degree of tolerance towards these renegades. Gen Abadía, for example, feels able to describe Honasan as a "gentleman officer" with whom he can sit and discuss surrender terms, even though the Colonel's troops bombed Mrs Aquino's palace during the last coup.

It is only the latest display of army ambivalence towards its rebels. After right-wing Marcos loyalists launched a bizarre coup attempt in 1986 by taking over the Manila Hotel and swearing in a new president, General Fidel Ramos, then chief of staff, ordered the rebels to do press-ups as a punishment.

Such is the residual distrust of the army that some observers believe the army might take over if the next president, competing against several other candidates, is elected with only a small minority of the vote.

Gen Abadía says intervention is unlikely. Only if there is "massive fraud or disorder" would the army "restore order as mandated by the constitution", he says.

Ironically, just as military unity appears to be returning, the departure of the US bases from the Philippines might rekindle dissent among the ranks. The issue is money. As part of the bases compensation package, the US pays about \$200m in military assistance for helicopters, signals equipment, weapons and training.

As part of the defence cuts as much as the ending of the bases agreement, the US military aid programme is likely to be cut by at least half. This will put enormous additional strains on an already creaking national budget. While the Philippines will continue to receive equipment for several years under this programme, Gen Abadía has said he will be requesting an additional 50m pesos to fill the gap left by cuts in US aid.

If the military does not get the funds, there is a good chance that leaders will claim the army does not have the tools to tackle the Communist-led New People's Army. In fact, the Communist challenge is already dwindling thanks to the collapse of Communist models in eastern Europe and internal divisions among the Communist party leadership.

The army reckons numbers under arms have fallen to 11,000 from 18,000 a few years ago. And Gen Abadía is forecasting that by 1993 the army will have crushed the political backbone of the movement and the insurgency will be no more than a policing problem.

Such might be optimistic. Undoubtedly, current military tactics of combining military and propaganda offensives, are reducing NPA influence, even though the army is still too often linked to killing and torturing of innocent civilians. But the government is still not building enough rural roads, health clinics and local industry to encourage the kind of economic growth on which lasting victory over the NPA must be based.

The generals in Manila are critical of the way civilian officials have failed many rural areas and made the army's task more difficult. It is the most convincing of their complaints against Mrs Aquino's administration. But as a result of luck (the collapse of hard-peace Communism), restored democracy and Mrs Aquino's residual popularity, the Communists are facing their most testing time.

It is a far cry from the last days of martial law when US intelligence reports said Marcos had let the political situation deteriorate so much that "ultimate defeat and Communist takeover" were on the cards.

Richard Gourlay

### Philippines National Bank STATEMENTS OF CONDITION December 31, 1991 and 1990 (In Million US Dollars)

|   | 1991           | 1990           |
|---|----------------|----------------|
| <b>RESOURCES</b>  |                |                |
| Cash and other cash items   | 54.9           | 36.4           |
| Due from Central Bank of the Philippines                              | 300.9          | 168.6          |
| Due from other banks  | 290.0          | 218.3          |
| Interbank loans receivable  | 255.5          | 230.2          |
| Investments and trading account securities                            | 799.1          | 476.6          |
| Loan portfolio - Net  | 1,181.7        | 1,046.6        |
| Equity investments in allied/non-allied undertakings - Net            | 47.5           | 01.4           |
| Bank premises, furniture, fixtures and equipment - Net                | 224.2          | 143.3          |
| Real and other properties owned or acquired                           | 21.5           | 19.1           |
| Other resources   | 320.1          | 253.2          |
| <b>TOTAL RESOURCES</b>  | <b>3,495.4</b> | <b>2,623.7</b> |
| <b>LIABILITIES</b>  |                |                |
| Deposit liabilities:  |                |                |
| Demand  | 408.8          | 387.5          |
| Savings   | 1,044.2        | 651.1          |
| Time  | 911.2          | 601.6          |
|   | <b>2,364.2</b> | <b>1,640.2</b> |
| Bills payable   | 213.2          | 210.7          |
| Margin deposits/cash letters of credit                                | 39.5           | 64.5           |
| Treasurer's/Cashier's Manager's Glt checks and payment orders payable | 60.0           | 69.2           |
| Accrued taxes, interest and other expenses                            | 42.7           | 32.5           |
| Dividends payable   | 297.8          | 286.1          |
| Other liabilities   |                |                |
| <b>TOTAL LIABILITIES</b>  | <b>3,017.4</b> | <b>2,339.2</b> |
| <b>CAPITAL FUNDS</b>  |                |                |
| Capital stock   | 287.1          | 216.1          |
| Surplus   | 136.6          | 66.3           |
| Surplus reserves  | 3.4            | 3.1            |
| Revaluation increment in land   | 50.9           | 0.0            |
| <b>TOTAL CAPITAL FUNDS</b>  | <b>478.0</b>   | <b>284.5</b>   |
| <b>TOTAL LIABILITIES &amp; CAPITAL FUNDS</b>                          | <b>3,495.4</b> | <b>2,623.7</b> |
| <b>CONTINGENT ACCOUNTS</b>  |                |                |
| Unused commercial letters of credit                                   | 227.2          | 374.7          |
| Bills for collection  | 250.4          | 201.8          |
| Future exchange bought  | 65.7           | 91.4           |
| Future exchange sold  | 12.5           | 49.4           |
| Trust department accounts   | 242.7          | 94.0           |
| Other contingent accounts   | 77.0           | 261.0          |
| <b>TOTAL CONTINGENT ACCOUNTS</b>                                      | <b>875.5</b>   | <b>1,072.3</b> |



## THE PHILIPPINES 3

## ■ FOREIGN RELATIONS

## US withdrawal raises questions

"We won't stay where we're not wanted, and if they want us out, we're gone." So said Mr. Dick Cheney, US Defence Secretary, after the Philippines Senate voted in September against a new 10-year treaty which would have allowed the US continued use of the Subic Bay naval base.

The Senate's momentous decision means that the last US personnel should have left Subic by December 31 this year, ending nearly a century of American occupation of the deep-water harbour some 50km north-west of Manila.

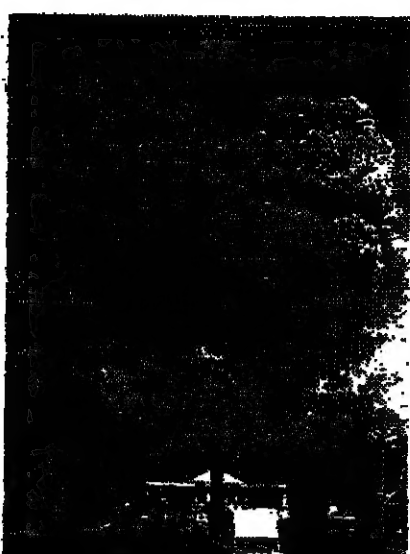
The nearby Clark air base was abandoned in the middle of the treaty negotiations after Mount Pinatubo erupted and smothered the facilities in ash. Many Filipinos, even those who opposed US bases on their soil because of genuine feelings of nationalism or a desire to score political points, have yet to grasp that the Americans are really leaving.

But the Americans, who took control of the Philippines by defeating the Spanish in 1898 and established the Subic base three years later, are no longer so anxious to keep a costly military presence on the islands now that the Soviet Union has collapsed and their own budget deficit has grown so large.

The economic and social impact of the American withdrawal from Subic, the supply base and repair yard for the 7th Fleet, will be substantial. Some 40,000 Filipinos stand to lose their jobs and direct US aid to the military and to civilian programmes is certain to fall from the current annual level of about \$400m.

The indirect effects are harder to quantify, but the Subic Bay town of Olongapo, its streets crisscrossed with bars and prostitutes, is already feeling the pinch as the US servicemen depart. One western diplomat estimates that the US bases were putting \$12m into the economy every year, while the country's annual exports amount to only about \$8bn.

"That's a lot of foreign exchange to let go in 18 months," he says.



A huge mushroom cloud over Clark air base after Mount Pinatubo erupted

But Mr. Jose Cuisia, the central bank governor, remains sanguine. "It's significant," he says. "But it's not going to mean the end of the Philippines either."

According to one school of thought, the Philippines bungled the negotiations with the Americans by dithering for too long and demanding too high a price.

But they could hardly have foreseen the eruption of Mt Pinatubo - which took Clark out of the equation - and even if a deal had been struck before the volcanic disaster successive US administrations would have been hard pressed to secure funds from Congress each year in exchange for a defunct air base covered in ash.

In any case, the political confusion over the bases in the Philippines had as much to do with the country's schizophrenic attitude towards its former colonial masters as with greed.

Filipino commentators are apt to criticise US involvement in the country (on nationalist grounds) in the same breath as asking for more assistance (on the basis of the longstanding ties between the two peoples).

The close relationship, albeit weakened by the rejection of the new treaty, will certainly continue. A mutual defence pact dating from 1952 and providing for joint military exercises remains in force.

American culture has permeated the Philippine islands; about 12m Filipinos live in the US and thousands of Americans are resident in the Philippines.

For the workers at Subic and the towns around the bay, the most immediate

concern is the future of the port and the 5,800 hectares which make up the base. Here too the government was slow to react, suggesting at first that the issue could be addressed by the new administration due to take over after the May elections.

Local residents, and the Americans who are packing up their movable equipment and leaving, convinced President Corason Aquino's outgoing government to start dealing with the problem before the voters went to the polls.

Clark air base, after all, was handed over to the military and looted after the Americans left.

Spurred on by the energetic mayor of Olongapo, Mr. Richard Gordon, officials are asking proposals for a free port and talking hopefully of "a new Hong Kong", but it remains to be seen whether such ideas will ever come to fruition.

Residents are furious not only because the Senate rejected the 10-year treaty, but also because the Americans were told to leave within one year instead of three.

"Our mission is first to preserve, conserve and maintain the resources we have on base," says Mrs. Boots Ligay, a training supervisor at Subic and spokeswoman for a movement promoting the "Autonomous Region of Greater Olongapo" (ARGO).

"It's a good one, and we don't want it to become another Clark. Subic Bay can be a free port and have workers here willing to invest their hard-earned savings."

Mr. Gordon, citing the sentimental value of American "work experience and sexual



The American flag is lowered for the last time as the base is abandoned

experience" in Olongapo, believes he, rather than the unsympathetic officials in Manila, can persuade the Americans to leave some of their more valuable pieces of equipment behind. He is adamant about the need for the conversion of the base to commercial use.

"I think if the base leaves and there is nothing, you're going to see some social unrest," he says.

Unfortunately, the Americans seem inclined to take away the valuable floating dry-docks used for ship repair. And although the Subic workers have many of the necessary skills for commercial shipyard operations, they will be competing with established yards in neighbouring countries.

Subic, western diplomats say, was ideal for the US Navy because it was a "one-stop shop" allowing for replenishment, training in conjunction with Clark, rest and recreation, and repairs. Commercial ship repair alone might not be viable.

In the meantime, the US departure from the Philippines will leave the country in a weak position with regard to its Asian neighbours. The armed forces are poorly equipped, often unprofessional and preoccupied with politics, while the economy is lagging behind those of the other south-east Asian countries. Slowly but surely the influence of the Japanese, who occupied the country with notable cruelty during the Second World War before they were driven out by the Americans, is making itself felt.

Japan is the country's largest aid donor and the source of much foreign investment. Young Filipinos are largely unaffected by their parents' memories of the war. No longer can the foreign policy of the Philippines be concerned almost exclusively with the US.

"The Philippines are going to have to take some very significant foreign policy decisions," says one diplomat in Manila. "What is their relationship with ASEAN? To what extent do they want to maintain a US defence relationship? How are they going to deal with the Japanese?"

Already, in between the brothels and the American hamburger joints in downtown Manila, the karaoke bars are spreading as the US sailors head home from Subic.

Victor Mallet

## ■ PRIVATISATION

## Dogged by legal challenges

Privatisation was among the tools used to rescue the Philippine National Bank (PNB) and the Development Bank of the Philippines, two government-owned institutions almost and exploited by Marcos and his cronies.

The government has taken

The government is

keen to rid itself of

loss-making

corporations

over some 140bn pesos in

problem loans and other assets,

and made the APT responsible

primarily for selling these non-

performing assets, both finan-

cial and physical. It is against

this background that the APT's

achievement in grossing 23.3bn

pesos by disposing of 255 out of

the 388 non-performing assets

in its portfolio must be mea-

sured. In all, the privatisation

programme has netted 41.1bn

pesos.

With the APT's remaining non-performing assets either completely deteriorated or hard to sell because of legal impediments, the focus is now shifting to the 50 or so unsold state companies out of the 123 corporations which were earmarked for sale by the APT and a number of state parent organisations such as the Government Service Insurance System.

The process has been slowed

both by the reluctance of the

Commission on Audit to accept

the low market values of some

of the assets and by the doubts

of potential investors in an eco-

nomical climate affected by natu-

ral disasters and the Gulf cri-

sis.

"I think in the experience of

other countries, five years is

really too short," says Ma Co-

santa Legaspi, executive officer

of the Committee on Privatisa-

tion.

The government is keen to

rid itself of loss-making cor-

porations, but its various agen-

cies are sometimes less than

wholehearted in their commit-

ment to the principles of priv-

atisation. "They would not like

to lose whatever they have

now by disposing of it," says

Mr. Jose Sison, associate execu-

tive trustee of the APT.

The GSIS, for example, is

supposed to sell 40 per cent of

the Manila Hotel this year, but

senior officials, citing the his-

torical and sentimental value

of the former headquarters of

Gen Douglas MacArthur, are in

no hurry to dispose of a profit-

able company without delay.

Furthermore, assets sold by

the state often fall into the

hands of the oligarchy of

wealthy families which has

always run the country.

"I think that's one of the

flaws of the privatisation programme," says Mr. Sison. "What's happening here is that we're transferring from one monopoly to another."

Mr. Jose Cuisia, governor of

the central bank, expresses his

satisfaction that "more than 90

per cent of what was targeted

has already been privatised",

although he acknowledges that

the sale of big-ticket items will

take time.

Thirty per cent of the now

profitable PNB has already

been sold on the stock market,

a further 21 per cent is expec-

ted to be offered soon, and

President Aquino has approved

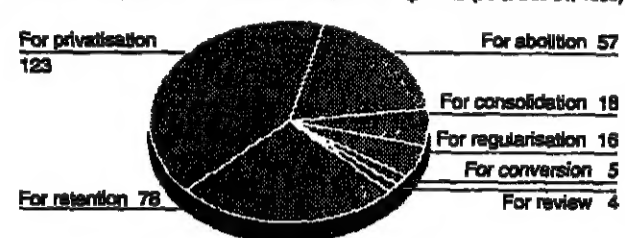
the eventual sale of 100 per

cent.

The Philippine Plaza hotel

## Government Corporate Sector

Total: 301 Government owned & controlled companies (as of Dec 31, 1990)



Source: Committee on Privatisation

was finally sold last year to

Allied Kefauver, a Hong Kong-

Japanese joint venture. But an

agreement on financing for the

\$325m sale of Nonoc Mining

and Industrial Corporation to

Philippine Nickel Corporation

has yet to be finalised, and

other large companies, includ-

ing the National Steel Corpora-

tion and the Paper Industries

Corporation of the Philippines,

are still waiting for buyers.

The government's efforts to

sell two thirds of PAL were

boosted by higher-than-expec-

ted profits in recent months

- after a decade of losses

- and by the government's

decision to assume the airline's

foreign debt of \$519m. "There

is an economic need to infuse

new money into PAL," says Mr

Feliciano Belmonte, president

of PAL and GSIS. "And GSIS,

which is a pension fund for

government employees, is not

the right kind of sourcing."

Victor Mallet

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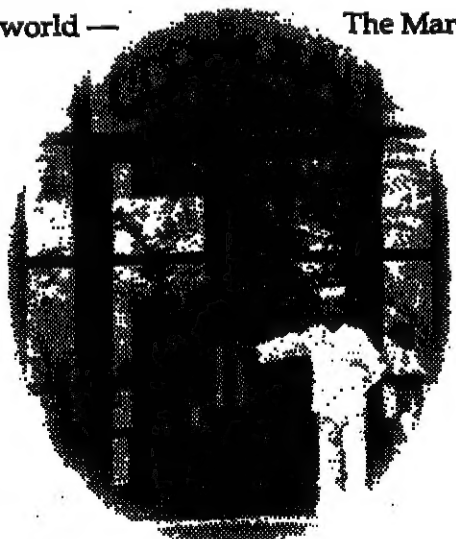
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## THE PHILIPPINES 4

## INVESTMENT

## Belated attempt to remedy matters

THE low level of domestic savings and of local and foreign investment in the Philippines is one of the fundamental causes of the country's poor economic performance in relation to its south-east Asian neighbours over the past decade.

In a belated attempt to remedy matters, new foreign investment legislation was brought into force last year, but even its supporters acknowledge that it is only a first step towards improving the whole investment climate.

Between 1981 and 1990, gross domestic investment averaged 20 per cent of gross domestic product, compared to 42 per cent for Singapore, 27 per cent for Thailand and more than 30 per cent for Indonesia and Malaysia, according to the Asian Development Bank.

The Philippines has also been lagging well behind its

ael Barnes, the American vice-president of Philippine Geothermal Inc, on January 17 this year, is hardly likely to encourage western investors already contemplating the election campaign with trepidation. It was not known at the time of writing whether he was seized by left-wingers, right-wingers or criminals.

Americans, furthermore, have been discouraged by the Philippine Senate's rejection of the 10-year lease treaty negotiated by the US and Filipino governments.

Although existing investors, particularly Filipino Chinese, have learned to make the best of the arduous local conditions, potential newcomers are understandably deterred by the poor state of the country's infrastructure - electricity, for example, is sometimes in short supply because of delays in building new power stations - by the litigious nature of the society, and by bureaucracy which can condemn even the most respectable bankers to a nine-month wait for their work permits.

## The kidnapping is unlikely to encourage western investors

Unhealthy rivalry between different islands or different regions has been known to delay a new project, but the inadequacies of the central government have, on the other hand, prompted some local authorities - in Cebu and Cavite, for example - to promote themselves to Japanese, American, Taiwanese, Korean and other investors with considerable success.

Regardless of the laws in place, the crucial question is whether Filipino governments will put aside their nationalistic distrust of foreign participation in the economy and actually greet foreign investment with enthusiasm. One congressman went so far as to challenge the new foreign investment act as unconstitutional, although he lost his case in the Supreme Court.

The new law allows investors not seeking special incentives to take a 100 per cent

stake in any business, provided it does not appear on a "negative list" of restricted activities. Broadly, the law simplifies investment procedures and means that foreign investors seeking full ownership of a company need not necessarily be located in an export processing zone or engaged in a "pioneer" priority industry.

Stockbrokers, however, say they are unclear as to how the law applies to listed companies - shares are divided into A and B shares, and only the B shares, making up a maximum of 40 per cent of the company, can be bought by foreigners.

A more important aspect of the legislation is that it demonstrates a change in the government's investment philosophy. Before, it was assumed that foreign investment was banned or restricted unless certain conditions were met. Today, it is assumed that the investment

## Another concern is the existing labour legislation

is acceptable, provided it falls within official guidelines. Mr Margarito Teves, chairman of the House of Representatives committee on economic affairs and a prominent supporter of economic liberalisation, says the law "will not be the panacea to our problems", and he is proposing a number of complementary measures.

"This is merely the starting point," he says. "The others address important concerns that are of interest to investors." He is backing proposals to allow accelerated depreciation of assets for tax purposes, to improve security of land tenure for foreign investors, and to make it easier for foreign banks to operate.

Another concern is the existing labour legislation, which discourages foreign investors by setting minimum wages without substantially helping the workers, who are often underpaid by local employers in any case.

"We have to rely less on foreign loans and more on foreign direct investment," says Mr Teves. "If we encourage and convince our bureaucracy to be more responsive, and find ways to cut the process to the barest minimum, maybe we can attract more investment to the Philippines."

Victor Mallet

## REGIONAL DEVELOPMENT

## Recovery hopes

TEN miles south of Manila airport, in rolling agricultural land, there is a frenzy of factory building quite at odds with the widely-held view that the Philippines economy is stagnating.

Cavite Province's rice fields are sprouting a crop of industrial parks, export zones, new arterial roads and microwave communications links on the back of a wave of enthusiasm from foreign and local investors.

Once called "The Badlands" because of its reputation as a refuge for bandits, Cavite is now the focus of efforts to develop an industrial belt to the south of Manila.

Governor Juanito Remulla says his zone of "industrial peace and productivity" has attracted 200m pesos of investment since 1988 and has directly created 45,000 new jobs. About half the investment is from Japan, Korea, Taiwan, Hong Kong and the US and the rest from large local groups such as San Miguel.

With the Philippines economy shrinking in real per capita terms last year by 2.5 per cent, Cavite is one of several regional pockets of activity that are keeping recovery hopes alive.

Cebu City, on the central island of Cebu, is perhaps the best known example. In the past three years it has left the rest of the country behind in terms of growth, investment and attractiveness to foreign investors.

A bustling port and trading centre, it is dominated by Filipino-Chinese businessmen who have tapped private capital, issuing the country's first municipal bonds or Cebu's (Cebu Equity Bond Units).

He has also attracted pledges of more than 50n pesos in development assistance from Japan and has cut swaths through Manila's red tape, encouraging a "can-do" mentality.

In Cavite, the firm hand comes from Governor Remulla who has taken 10 years to consolidate diversely-held land holdings so that more than 4,000ha are now available for industrial use.

"Local government should concentrate on inviting investors to get exports and more foreign exchange," he says. "The most advanced development is the 277ha export processing zone at Rosario, Cavite where more than 100 companies have invested or are about to start building. Investors include a glass manufacturing joint venture between Yamamura of Japan and San Miguel; the US computer components maker Commodore Electronics; Yasaiki, the Japanese car parts maker; Maxon, a Korean portable telephone manufacturer; and a thriving native furniture export industry, a large trade in seaweed to the US and an active coconut oil export business."

About half the companies operating out of the Mactan export processing zone are Japanese. Exports from this area have grown about 15 per cent annually over the past three years, despite a wayward typhoon in 1990 which damaged infrastructure and threatened



Coconut farming: Cebu has developed a thriving coconut oil export business - as well as trade in seaweed to the US

ened to derail the regional boom.

For the domestic market, Cebu has also become the southern Philippines centre for cement production, scrap iron consolidation, and a large flour mill and beer brewing centre.

Common to Cebu and the newer but equally promising Cavite, are strong provincial leaders and access to international airports. Cebu's was upgraded by the Americans during the Vietnam war. Governor Emilio Osmena in Cebu is pressing ahead with plans to upgrade the regional infrastructure. With one of the largest local developers, Ayala Land, the local government has tapped private capital, issuing the country's first municipal bonds or Cebu's (Cebu Equity Bond Units).

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"Local government should concentrate on inviting investors to get exports and more foreign exchange," he says. "The most advanced development is the 277ha export processing zone at Rosario, Cavite where more than 100 companies have invested or are about to start building. Investors include a glass manufacturing joint venture between Yamamura of Japan and San Miguel; the US computer components maker Commodore Electronics; Yasaiki, the Japanese car parts maker; Maxon, a Korean portable telephone manufacturer; and a thriving native furniture export industry, a large trade in seaweed to the US and an active coconut oil export business."

About half the companies operating out of the Mactan export processing zone are Japanese. Exports from this area have grown about 15 per cent annually over the past three years, despite a wayward typhoon in 1990 which damaged infrastructure and threatened

ened to derail the regional boom.

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Common to Cebu and the newer but equally promising Cavite, are strong provincial leaders and access to international airports. Cebu's was upgraded by the Americans during the Vietnam war. Governor Emilio Osmena in Cebu is pressing ahead with plans to upgrade the regional infrastructure. With one of the largest local developers, Ayala Land, the local government has tapped private capital, issuing the country's first municipal bonds or Cebu's (Cebu Equity Bond Units).

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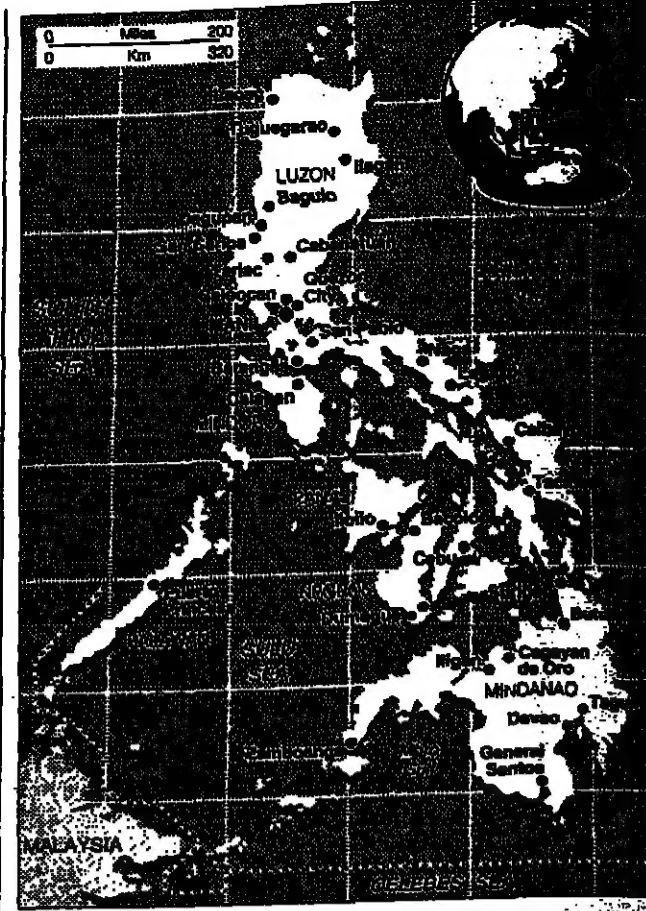
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## KEY FACTS

|                       |                                     |
|-----------------------|-------------------------------------|
| Area                  | 300,000 km <sup>2</sup>             |
| Population            | 61.4m (mid-1990)                    |
| Head of State         | President Corason Aquino            |
| Currency              | Philippine peso                     |
| Average Exchange Rate | 1990 \$1 = 24.51 Latest \$1 = 25.94 |

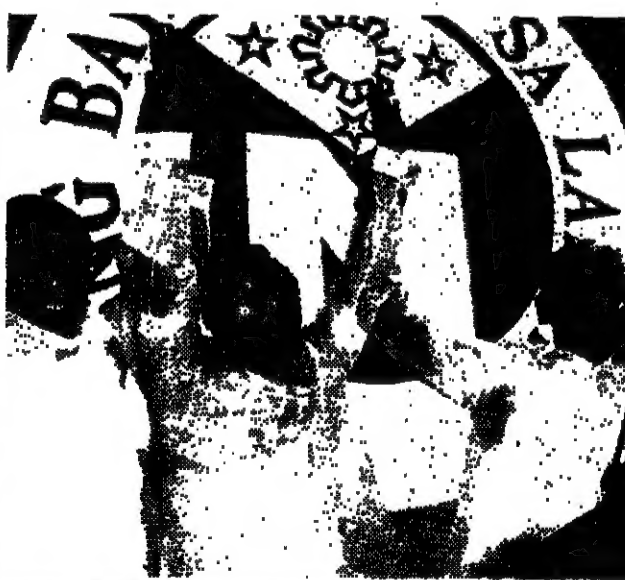
| ECONOMY                      | 1989   | 1990   |
|------------------------------|--------|--------|
| Total GDP (\$bn)             | 43.96  | 41.72  |
| Real GDP growth (%)          | 3.11   | -1.2   |
| GDP per capita (\$)          | 715    | n/a    |
| Components of GDP (%)        |        |        |
| Private Consumption          | 73.2   | 74.7   |
| Gross Fixed Investment       | 21.9   | 18.1   |
| Stockbuilding                | 0.7    | 0.1    |
| Government Consumption       | 28.4   | 30.0   |
| Exports                      | 33.8   | 30.0   |
| Imports                      | 12.6   | 18.4   |
| Consumer price index (% pa)  | 0.924  | 2.426  |
| Reserve minus gold (\$bn)    | 14.3   | 20.7   |
| Narrow money growth (% pa)   | 22.5   | 26.5   |
| Broad money growth (% pa)    | 10.0   | 10.7   |
| Discount rate (% and period) | -41.02 | +45.84 |
| Stock market (% chg on year) | 30.327 | n/a    |
| Gross external debt (\$bn)   | 21.7   | 20.7   |
| Debt service ratio (%)       | -1.642 | -1.212 |
| Exports (\$bn)               | 6.186  | 5.836  |
| Imports (\$bn)               | 12.206 | 11.094 |
| Trade balance (\$bn)         | -4.020 | -5.258 |
| Foreign reserves (\$bn)      | 37.5   | 18.2   |
| USA (%)                      | 20.5   | 19.0   |
| Japan                        | 4.9    | 4.4    |
| West Germany                 | 3.9    | 5.0    |
| Hong Kong                    | 7.0    | 7.0    |
| Singapore                    | 7.0    | 7.0    |

1991 data covers periods to: (1) first half at annual rate; (2) September; (3) second quarter; (4) June; (5) IFC Index, 1991 to end November.

Source: IMF, Datastream, Economist Intelligence Unit

## PROFILE: Eduardo 'Danding' Cojuangco

## Marcos crony bounces back



Opposition front-runner Cojuangco: businessmen suspect he is still an avid believer in monopoly capitalism

THEY call him Ferdinand Marcos' "super-crony" an "unrepentant protectionist" and the "Pac-man" after the omnivorous computer game monster that eats everything in its path.

He became extremely rich by controlling the coconut industry, the kind of monopoly that undermined the Philippines economy for years under President Marcos. Yet six years after fleeing into exile, Eduardo 'Danding' Cojuangco, the most accomplished of the Marcos business cronies, is back and a serious contender for the presidency.

The fact that Mr Cojuangco - and his brother, Marcos' former president's widow - should be given the time of day says something about the unpredictable twists of Philippine politics. Incredible though it might seem, Mr Cojuangco is an opposition front-runner.

Through his effective control of the coconut industry, Mr Cojuangco had influence in virtually every village in the country, believed to be able to call in political debts. It is not immediately apparent why.

After Mr Marcos declared martial law in 1972, coconut farmers had to sell their produce to an authority Mr Cojuangco effectively controlled; he imposed a levy on them with which he built the United Coconut Planters Bank that took control of almost all the country's coconut oil mills.

And his control of the supply of seedlings rounded out a monopoly that stretched throughout the coconut industry, the country's largest export earner.

Nevertheless, he was considered by many in the country to be a good patron. 'Ferdinand Marcos controlled everything in Manila,' says

one of Mr Cojuangco's army of campaign helpers. 'But in the countryside, poor people earned money. They know Cojuangco as a true friend.'

Should he be elected, Mr Cojuangco would most likely regain control of the United Coconut Planters Bank and a sizeable shareholding in San Miguel, the country's largest private employer. These assets and some 400 other companies - Mr Cojuangco says he is unclear how many - are still frozen by a government body looking into the billions of dollars allegedly stolen by Marcos and his business associates.

Mr Cojuangco denies the charge that he is a crony - the description of those who are believed to have benefited financially during the Marcos era - because, he says, he did not receive government loans and he never invested abroad.

More worrying to local and foreign businessmen are Mr

Cojuangco's economic policy ideas. Many question whether he really had the super-business brain of the Marcos era. Who would not make money if granted a monopoly protected by the president, they ask?

Moreover, while Mr Cojuangco is careful to adopt the rhetoric of economic liberalisation, businessmen suspect he is still an avid believer in what he knows best - monopoly capitalism.

They fear it suggests an end to the withdrawal of government from business and the more export-oriented policies that the rest of south-east Asia has successfully followed.

Given Mr Cojuangco's record there is something chilling in his definition of a president's duties: 'chief executive for all the sectors of the economy.'

Richard Gourlay

## PROFILE: Ramon 'Monching' Mitra

## Popularity and pragmatism

RAMON MITRA, the 63-year-old Speaker of the House of Representatives, used to run barefoot to school, earned pennies herding cattle on horse-back and was apprenticed to a crocodile hunter at the age of 11.

Unlike many of the presidential candidates who rediscover humble origins as elections approach, his claim to "know the pain of hunger and what it means to sleep without having your dinner" carries a ring of truth.

As Speaker he has cut political deals and come closest to uniting a fractious set of congressmen behind President Corason Aquino's party, even if a number of his bills have been shot down in the Senate.

Such a mixture of populist politician and pragmatic party man should make Mr Mitra the "candidate to beat" in presidential elections on May 11. But he lacks one important ingredient: President Corason

Aquino's support. Last month, Mrs Aquino threw her support behind his opponent in the ruling LDP party, retired General Fidel Ramos, even though the party had chosen Mr Mitra at a party convention as the candidate.

Mrs Aquino's reservations appear to be based on the con-

monly aired view that Mr Mitra, who has built the strongest party machinery throughout the country, is a "traditional politician". This less-than-flattering epithet in the Philippines contains the suggestion of unacceptable amounts of patronage.

Having lived for 20 years with President Marcos' brand

of patronage politics, many Filipinos view almost any form of political horse-trading with deep suspicion.

Mr Mitra has also been linked with illegal logging in Palawan through a local co-ordinator and old friend. He denies the charges but some of the mud has stuck, at least in Manila.

His image is tainted in the countryside remains to be seen. His early life certainly could not have been better scripted for a politician. A rich businessman by the time he became House Speaker in 1987, he was born the illegitimate son of a half-American mother and the superintendent of a penal colony on Palawan Island.

His mother died when he was 11 months old after his father left for Manila and he was raised in poverty by her family. After escaping from the Japanese army during the Second World War, he was

reunited with his father - by that time a Philippines congressman - and began an expensive education that led him to journalism, foreign service at the United Nations, commercial farming and politics.

On the economic policy front, Mr Mitra espouses much of the market liberalisation on which many businessmen are pinning hopes of recovery. He is in favour of opening up the economy to foreign investment and competition and letting the peso find a more realistic international exchange rate.

And his solution for the burgeoning domestic debt problem is textbook economics: not new taxes, but better collection of existing ones. This suggestion has been less than enthusiastically received in Manila. It explains, he believes, why his candidacy has yet to gain popular support.

Richard Gourlay



Mitra: in favour of opening up the economy to foreign investment

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